REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 2005

URBAN LOCAL BODIES

GOVERNMENT OF TAMIL NADU

Report of the Comptroller and Auditor General of India

for the year ended 31 March 2005

7743

(Urban Local Bodies)

Government of Tamil Nadu

TABLE OF CONTENTS

	Paragraph	Page
PREFACE		(v)
OVERVIEW		(vii)
CHAPTER I - AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES		
Introduction	1.1	1
Administrative arrangements	1.2	2
Accounting arrangements	1.3	2
Audit arrangements	1.4	3
Financial and functional delegation/devolution	1.5	3
Source of revenue	1.6	4
Requirement of funds	1.7	4
Receipts and Expenditure in urban local bodies	1.8	6
Expenditure incurred by urban local bodies	1.9	11
User charges	1.10	13
Central Finance Commission Grants	1.11	14
Audit of urban local bodies by Director of Local Fund Audit	1.12	14
Response to Audit	1.13	15
CHAPTER II – PERFORMANCE REVIEWS		
MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT		
Computerisation in municipalities	2.1	17
Solid Waste Management by municipalities and corporations	2.2	29
Income from remunerative assets of municipalities	2.3	42

2-1—1a

	Paragraph	Page
CHAPTER III – AUDIT OF TRANSACTIONS		
Losses detected in Audit	**3.1**	
MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT ***CORPORATION OF CHENNAI***		
Loss of revenue	3.1.1	53
TAMBARAM MUNICIPALITY		
Short levy of taxes	3.1.2	54
Unfruitful expenditure	**3.2**	
CORPORATION OF CHENNAI		
Unfruitful expenditure	3.2	55
Idle investment	**3.3**	
CORPORATION OF CHENNAI		
Building not put to use	3.3.1	56
ARAKKONAM MUNICIPALITY		
Blocking up of borrowed funds	3.3.2	57
Others	**3.4**	
CORPORATIONS OF CHENNAI AND SALEM AND MUNICIPALITY OF MANNARGUDI		
Non-realisation of cost of land	3.4.1	58
KUMBAKONAM MUNICIPALITY		
Unauthorised diversion from Elementary Education Fund	3.4.2	62
CORPORATIONS OF COIMBATORE, SALEM, TIRUCHIRAPPALLI AND TIRUNELVELI AND KUMBAKONAM MUNICIPALITY		
Non-collection of track rent	3.4.3	63
CORPORATION OF COIMBATORE		
Non-collection of tax on profession	3.4.4	64

APPENDICES		Page
I	Audit fee due from Corporations and Municipalities	67
II	Powers for issue of administrative and technical sanctions - Corporation of Chennai	68
III	Devolution of functions	69
IV	Source of revenue of urban local bodies	70
V	Projection of Tax and Non-Tax Revenues for the period 2002-07 by Second State Finance Commission	71
VI	Details of Projected Capital expenditure for 2002-07 for urban local bodies	72
VII	Details of Projected Operation and Maintenance expenditure for 2002-07 for urban local bodies	73
VIII	Arrears in completion of audit in respect of urban local bodies as of July 2005	74
IX	Year wise details of paragraphs pending settlement as of March 2005	75
X	Details of Committee on Public Accounts recommendations pending for want of Action Taken Notes	76
XI	Inspection Reports/Paragraphs on Corporations and Municipalities issued up to September 2004 and pending settlement as of March 2005	77
XII	Municipalities from whom even first reply was not received for Inspection Reports	78
XIII	Statement showing implementation of functions in test checked municipalities	79
XIV	Statement indicating total number of 'owner occupied residences' as against 'rented residential properties' in respect of properties assessed through Oracle system	80
XV	List of municipalities test checked	81
XVI	Details of Second State Finance Commission grant released to municipalities test checked and expenditure incurred	82
XVII	(a) Land not available for compost yard (b) Shortfall in availability of land for compost yard	83
XVIII	List of selected municipalities	85
XIX	Loss of Revenue	86
XX	List of assets not recorded in the Assets Register	87
XXI	Track rent not collected	90

PREFACE

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. This Report sets out the results of audit under the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971, in respect of financial assistance given to urban local bodies.

3. Matters arising from the Finance and Appropriation Accounts for the year 2004-05, together with other points arising out of audit of transactions of the Government of Tamil Nadu are included in a separate volume of the Report (Civil) of 2004-05.

4. The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.

5. The cases mentioned in this Report are among those which came to notice in the course of test check of accounts of local bodies during the year 2004-05, as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports on Government of Tamil Nadu. Matters relating to the period subsequent to March 2005 have also been included, wherever considered necessary.

OVERVIEW

Administration and Water Supply Department were pending as of September 2005. Eighty three Inspection Reports (issued up to September 2004) of Principal Accountant General (Civil Audit) relating to urban local bodies containing 966 paragraphs from 1997-98 to 2004-05 were pending settlement as of March 2005.

(Paragraphs 1.1.1 to 1.13.2)

II Performance Reviews

1 Computerisation in municipalities

To improve the efficiency of municipalities in the discharge of their responsibilities, computerisation of municipal functions was taken up in 1997 at a total cost of Rs 4.64 crore through a World Bank loan. Additional servers and networking facilities were supplied to the municipalities at a total cost of Rs 10.53 crore in 2003-04. A review of computerisation in twenty municipalities revealed the following:

- Software developed was not fully utilised due to defective planning.
- Unwarranted supply of programme development tool (Visual Studio .NET software) and Digital Audio Tape Drivers to municipalities resulted in avoidable expenditure Rs 77.63 lakh.
- Of the 18 functions taken up for computerisation on an average, only five to six were implemented.
- Non-raising of demand for Property tax between April 2002 and September 2005 resulted in non-recovery of Rs 2.11 crore.

(Paragraphs 2.1.6 to 2.1.25)

2 Solid waste management by municipalities and corporations

In pursuance of the Supreme Court of India's directions (January 1988), Government of India (GOI) notified (September 2000) the Municipal Solid Waste (Management and Handling) Rules, 2000. The Rules required all municipalities to set up complete waste processing and disposal facilities by end of December 2003. A review on solid waste management by 22 municipalities and three corporations revealed the following:

- Though all municipalities were required to set up complete waste processing and disposal facilities by December 2003, only two out of 151 municipalities had done so as of September 2005 and only 45 had obtained authorisation from Tamil Nadu Pollution Control Board for setting up such facility.
- Out of 102 municipalities (excluding the 49 Grade III municipalities), five had no land for dumping solid waste while 36 had inadequate land for this purpose.
- Rupees 1.12 crore spent by three municipalities towards acquisition of land remains blocked as the land could not be put to use due to its proximity to an Air Force Station.

- Corporation of Madurai failed to initiate early action to obtain approval of the State Government for reclassification of the site where a bio-conversion facility was to be set up which resulted in loss of revenue of Rs 35.10 lakh.

- The garbage cleared by a private agency in the three privatised zones of Corporation of Chennai was inexplicably higher by 21 to 66 *per cent* as compared to non-privatised zones during 2001 to 2004 resulting in excess expenditure of Rs 37.07 crore to the Corporation.

- Corporation of Chennai failed to collect private scavenging fee of Rs 2.07 crore from marriage halls, shops and trade establishments during 1999-2005.

- Corporation of Madurai short collected periodical conservancy charges of Rs 18.58 lakh during 2002-05 from bulk garbage generators like marriage halls, hotels, lodges, etc.

(Paragraphs 2.2.1 to 2.2.20)

3 Income from remunerative assets of municipalities

Income from remunerative assets constitute 25 *per cent* of the total revenue of the municipalities. A review of such income in 23 selected municipalities revealed the following:

- Eight municipalities could not realise the projected revenue of Rs 1.26 crore from shopping and office complexes constructed by them without any prior assessment of demand.

- Three municipalities could not realise projected revenue of Rs 1.03 crore from the shops, stalls, office premises, etc., constructed by them due to their remote location.

- Delay in allotment of new shops, constructed on land adjoining old shops that were demolished, to the previous lessees despite such a promise, resulted in rental loss of Rs 40.88 lakh to Tirupattur Municipality.

- Coonoor Municipality suffered a revenue loss of Rs 29.48 lakh due to non-collection of enhanced rent in respect of 452 shops run by legal heirs or nominees of its original lessees.

- Failure of four municipalities to renew or obtain recognition of bus stand from Regional Transport Authority resulted in non-collection of bus stand fee of Rs 23.85 lakh during April 1997 to March 2005.

(Paragraphs 2.3.1 to 2.3.17)

III Audit of Transactions

Delay in letting out 136 shops belonging to Corporation of Chennai resulted in revenue loss of Rs 21.01 lakh.

(Paragraph 3.1.1)

Expenditure of Rs 59.81 lakh on construction of two community centres by Corporation of Chennai was unfruitful as they were not utilised due to their inappropriate location.

(Paragraph 3.2)

Building for an Industrial Training Institute completed by Corporation of Chennai at a cost of Rs 1.06 crore in April 2001 has not been put to use due to delay in procurement of required equipment.

(Paragraph 3.3.1)

Payment of Rs 9.88 lakh to Railways for purchasing their land without confirming their acceptance of price resulted in blockade of the entire amount since 1991.

(Paragraph 3.3.2)

Rupees 5.87 crore was pending realisation towards cost of land transferred to Government departments and its organisations by two corporations and one municipality.

(Paragraph 3.4.1)

Kumbakonam municipality unauthorisedly diverted Rs 1.80 crore from Elementary Education Fund that was to be used for maintenance and development of schools.

(Paragraph 3.4.2)

Annual track rent of Rs 1.19 crore was pending collection from Bharat Sanchar Nigam Limited by four corporations and one municipality.

(Paragraph 3.4.3)

Coimbatore Corporation did not collect tax on professions amounting to Rs 14.03 lakh for the period October 1998 - March 2005 from the staff of the Office of the Commissioner of Central Excise, Coimbatore.

(Paragraph 3.4.4)

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

1.1 Introduction

1.1.1 There were six municipal corporations and 151 municipalities in Tamil Nadu as on 31 March 2005. With a view to enabling Town Panchayats (TPs) to access Central funding under Rural Development Programmes, Government reclassified (June and July 2004), 562 out of 611 TPs as Village Panchayats on the basis of their population being less than 30,000. The balance 49 TPs were simultaneously upgraded as Third Grade municipalities. Urban population of the State as per 2001 census was 2.75 crore constituting 44 *per cent* of total State population (6.24 crore). While the decadal growth rate of the total population was 11 *per cent* during 1991-2001, that for the urban population was 43 *per cent*.

1.1.2 The six corporations in Tamil Nadu are governed under separate acts as shown under:

Sl. No.	Name of the Corporation	Governing Act
1.	Corporation of Chennai	Chennai City Municipal Corporation Act, 1919
2.	Madurai Corporation	Madurai City Municipal Corporation Act, 1971
3.	Coimbatore Corporation	Coimbatore City Municipal Corporation Act, 1981
4.	Tiruchirappalli Corporation	Tiruchirappalli City Municipal Corporation Act, 1994
5.	Tirunelveli Corporation	Tirunelveli City Municipal Corporation Act, 1994
6.	Salem Corporation	Salem City Municipal Corporation Act, 1994

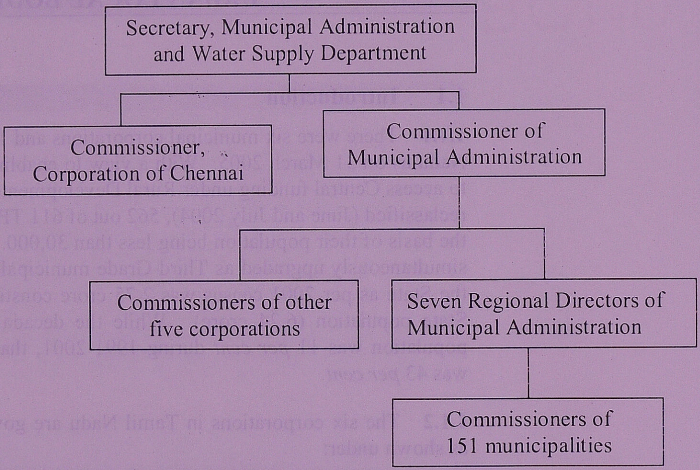
1.1.3 The municipalities are classified into different grades based on the annual income as follows:

Grade	Municipalities	
	Annual income	Number
Special Grade	Above Rs five crore	13
Selection Grade	Rs two crore and above but below Rs five crore	28
First Grade	Rs one crore and above but below Rs two crore	36
Second Grade	Below Rs one crore	25
Third Grade	(Erstwhile Town Panchayats with population exceeding 30,000)	49
	Total	**151**

2-1—4a

1.2 Administrative arrangements

1.2.1 The overall administration of urban local bodies (ULBs) vests with the Secretary to Government, Municipal Administration and Water Supply (MAWS) Department at Government level. An organisational chart on the administration of ULBs is given below:



The Mayor is the elected representative of the Corporation and a Chairperson is elected for each Municipality.

1.3 Accounting arrangements

1.3.1 Government of Tamil Nadu introduced accrual-based system of accounting in all corporations and municipalities with effect from 2000-01 in a phased manner.

1.3.2 Apart from the General Fund Account, the following three accounts are maintained under the accrual-based system of accounting by all the municipalities and five corporations (excluding Chennai):

(i) Revenue Fund and Capital Fund

(ii) Water Supply and Drainage Fund and

(iii) Elementary Education Fund

The cash balance of each of the above Fund is maintained in a separate bank account. The Corporation of Chennai is maintaining (i) a General Fund comprising both Revenue and Capital Funds and (ii) an Elementary Education Fund.

State Government also accepted (February 2005) adopting the database formats as suggested by the Comptroller and Auditor General of India and directed that they be adopted by the ULBs with effect from 1 April 2004. Government also ordered that the Commissioner of Municipal Administration (CMA) and the Commissioner of Corporation of Chennai should take action for creating the database in ULBs in consultation with the National Informatics Centre (NIC) by March 2005 and the NIC would arrange thereafter to train the staff of ULBs on the new software at the NIC district offices by 15 April 2005. Further action taken in this regard is awaited (December 2005).

1.4 Audit arrangements

1.4.1 Director of Local Fund Audit (DLFA) is the Statutory Auditor for ULBs and fifty *per cent* of the actual cost of audit[1] of DLFA is paid by the ULBs out of the Municipal fund. The corporations and municipalities were yet to pay Rs 8.39 crore towards audit fees as of November 2005. Year-wise details are given in the **Appendix I**.

1.4.2 The Principal Accountant General (PAG) audits the ULBs under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Further, PAG provides technical guidance to DLFA on a continuing basis regarding audit of accounts of the ULBs in terms of Government of Tamil Nadu order of March 2003.

1.5 Financial and functional delegation/devolution

1.5.1 Delegation of Financial Powers

The powers for issue of administrative sanction and technical sanction at various levels of five corporations (except Chennai) and municipalities are indicated below:

Nature of sanction	Financial limit	Sanctioning authority
Administrative sanction	Up to Rs ten lakh	The concerned Council
	Rs ten lakh to Rs one crore	The concerned Directorate
	Above Rs one crore	Government
Technical sanction	**For Municipalities**	
	Up to Rs 30 lakh	Municipal Engineer or Engineer in-charge in the rank of Executive Engineer
	Over and above Rs 30 lakh	Superintending Engineer
	For Corporations (except Chennai)	
	Up to Rs 50 lakh	Corporation Engineer

1 As per G.O. Ms. No. 62 dated 17.1.1994 of Finance (Local Fund) Department.

The powers for issue of administrative sanction and technical sanction at various levels in Corporation of Chennai are given in **Appendix II**.

1.5.2 Devolution of functions

In terms of the Seventy-fourth Amendment to the Constitution of India (June 1993), out of the 18 functions to be devolved on the municipalities and corporations, only 12 functions have been transferred. The transfer of the remaining functions was under the consideration of the State Government (**Appendix III**). In respect of Corporation of Chennai, out of the 12 functions, the one relating to water supply for domestic, industrial and commercial purposes already vested with Chennai Metropolitan Water Supply and Sewerage Board. The function on cattle pounds was also reported (August 2005) as transferred to Corporation of Chennai.

Audit noted that the functionaries for execution of devolved functions had not yet been transferred. In response, the Secretary, MAWS Department stated (August 2005) that out of 18 functions mentioned in the Twelfth Schedule, all except "Fire service" already stood transferred to ULBs. He further added that all ULBs in the State except transition towns had an adequate sanctioned staff strength for effectively discharging these functions. For transition towns, it was stated that a separate engineering wing has been created with adequate number of engineering personnel.

The reply of Secretary, MAWS Department is not tenable because some important devolved functions continue to be discharged by other Government agencies e.g. by Highways Department in respect of Roads and Bridges, slum improvement by Tamil Nadu Slum Clearance Board etc.

1.6 Source of revenue

1.6.1 Own revenue resources constitute tax and non-tax revenues realised by ULBs. Property tax is the most important source of tax revenue. Other resources comprise (a) funds released by the State Government based on the recommendation of State Finance Commission (SFC) and (b) loans released by it for implementation of various schemes relating to urban development, water supply, roads, etc. and (c) Government of India grants released (i) on the basis of Central Finance Commission recommendations and (ii) for implementation of specific schemes including poverty alleviation programmes. A chart depicting various sources of revenues of ULBs is given in **Appendix IV**.

1.7 Requirement of funds

1.7.1 Urbanisation is generally accompanied by a widening gap between demand and supply of essential infrastructure services like water supply,

sanitation, solid waste management, transportation and development of housing, etc. This results from increasing population pressure on urban centres, most of which are financially and organisationally ill-equipped to respond to infrastructural needs.

1.7.2 The First State Finance Commission which was set up for the period 1997-2002 following the passage of Seventy-third and Seventy-fourth Amendments to the Constitution of India, assessed the requirements for various urban services based on the norms and population forecast for 2002 and computed the service gaps on the basis of the then existing service levels.

1.7.3 Projections made by Second State Finance Commission

(a) Projected revenues of ULBs

The Second State Finance Commission (SSFC) constituted in December 1999, projected the growth of tax and non-tax base for the ULBs for the award period 2002-07 to Rs 4969.39 crore as detailed in **Appendix V**. The projections were based on the current taxes and their expected buoyancy. A comparison of the actual vis-à-vis projected revenues of ULBs during the first three years (2002-05) of the award period is given at paragraph 1.8.4.

(b) Projected capital expenditure of ULBs

Based on the absorptive capacity of ULBs (assessed in terms of their utilisation of funds over the past five years), the SSFC fixed the total requirement of funds for incurring capital expenditure under the core sectors during 2002-07 to Rs 1625 crore (corporations: Rs 975 crore and municipalities: Rs 650 crore). Year-wise breakup is given in **Appendix VI**. A comparison of the actual vis-à-vis projected capital expenditure during the first three years (2002-05) of the award period is given at paragraph 1.9.3.

(c) Projected operation and maintenance expenditure of ULBs

Based on the sustainable investment assessed for capital works, SSFC projected Rs 3113.25 crore towards operation and maintenance (O&M) expenditure for the ULBs for the period 2002-07 (corporations: Rs 1700 crore and municipalities: Rs 1413.25 crore). Year-wise details are given in **Appendix VII**. SSFC had clarified in their Report that the above amounts towards O&M expenditure may be taken as the upper limit and can be pruned down. A comparison of the actual vis-à-vis projected O&M expenditure during the first three years (2002-05) of the award period is given at paragraph 1.9.2.

1.8 Receipts and Expenditure in urban local bodies

1.8.1 The details of receipts and expenditure (provisional and unaudited) in ULBs during the last three years are given below:

(Rupees in crore)

	2002-03		2003-04		2004-05	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
Corporation of Chennai	566.11	477.70	690.39	681.57	742.20	726.22
Other Corporations	482.67	444.67	439.83	385.85	478.54	486.47
Municipalities	836.09	792.59	779.07	696.15	817.07	770.02
Total	**1884.87**	**1714.96**	**1909.29**	**1763.57**	**2037.81**	**1982.71**

The above data was compiled mainly from the Performance Budget of MAWS Department for the respective years and from the details furnished by the Commissioner, Corporation of Chennai and the CMA.

The accuracy of these figures could not be authenticated in the absence of data compiled from the audited accounts of the ULBs by the Department/ Government. Such a consolidation of audited accounts of all the ULBs in the State is essential for accurate presentation of a comprehensive picture of the finances of the ULBs.

1.8.2 The component-wise details of receipts and expenditure are given in the succeeding paragraphs.

1.8.3 Own Revenue realised

Details of "Own Revenue" realised by ULBs during 2002-05 as furnished by the CMA are given below:

(Rupees in crore)

Category of ULB	2002-03			2003-04			2004-05 (provisional)		
	Tax	Non-Tax	Total	Tax	Non-Tax	Total	Tax	Non-Tax	Total
Corporation of Chennai (1)	194.55	80.04	274.59	236.89	70.91	307.80	267.42	88.81	356.23
Other Corporations (5)	93.97	81.36	175.33	119.32	106.26	225.58	126.61	119.35	245.96
Municipalities*	220.16	195.64	415.80	194.44	164.50	358.94	203.83	180.33	384.16
Total	**508.68**	**357.04**	**865.72**	**550.65**	**341.67**	**892.32**	**597.86**	**388.49**	**986.35**

(* Figures in respect of 2004-05 relate to 151 municipalities including the 49 Third Grade municipalities).

The percentage of own revenue of the ULBs to total receipts grew marginally from 47 *per cent* in 2003-04 to 48 in 2004-05.

1.8.4 Projection and Realisation of Own Revenue

A comparison of "Own Revenue" realised by ULBs as reported by CMA during the first three years of the award period *vis-à-vis* the projected revenue in respect of them by SSFC is given in table below:

(Rupees in crore)

	2002-03		2003-04		2004-05 (Provisional)	
	Projected	Actual	Projected	Actual	Projected	Actual
Tax revenue	509.34	508.68	661.53	550.65 (17)	690.11	597.86 (13)
Non-tax revenue	258.30	357.04	289.33	341.67	324.24	388.49
Total own revenue	767.64	865.72	950.86	892.32 (6)	1014.35	986.35 (3)

(Figures in brackets indicate percentage of shortfall).

Thus, the actual tax revenue realised during 2003-04 and 2004-05 was less than the projected by 17 and 13 *per cent* respectively. The deficiencies noticed in realisation of tax and non-tax revenues by the ULBs are analysed in the subsequent paragraphs.

1.8.5 Tax Revenue

Property tax is the major source of Tax Revenue of ULBs. Some of the other significant components of tax revenue are Professional tax, Company tax and Advertisement tax.

1.8.6 Property Tax

The position of cumulative demand (including arrears), collection and balance of Property tax during the years 2002-03, 2003-04 and 2004-05 is as given below:

(Rupees in crore)

Year		Corporation of Chennai	Other corporations (except Chennai)	Municipalities	Total
2002-03	Demand	384.97	194.28	293.12	872.37
	Collection	163.76 (43)	99.64 (51)	177.96 (61)	441.36 (51)
	Balance	221.21	94.64	115.16	431.01
2003-04	Demand	423.09	194.40	312.54	930.03
	Collection	206.61 (49)	101.41 (52)	184.81 (59)	492.83 (53)
	Balance	216.48	92.99	127.73	437.20
2004-05	Demand	433.43	203.11	332.94	969.48
	Collection	220.55 (51)	106.37 (52)	188.15 (57)	515.07 (53)
	Balance	212.88	96.74	144.79	454.41

(Figures in brackets indicate the percentage of collection during the year. Figures in respect of 2002-03 and 2003-04 relate to 102 municipalities while for 2004-05 relate to 151 municipalities).

The above table indicates that in terms of percentage of Property tax collected vis-à-vis that demanded, the performance of municipalities was better than the municipal corporations in all the three years. However, this percentage

exhibited a declining trend for municipalities, an upward trend for Corporation of Chennai and a stationary trend for the other five corporations. Scrutiny by Audit indicated that the CMA had been holding frequent meetings during 2004-05 with the Commissioners of all the five corporations and municipalities to monitor and improve the collection of Property taxes by them. However, the absence of any tangible progress in this regard indicates that such meetings did not have the desired impact. Consequently, the arrears of Property tax due for collection in municipalities increased to Rs 144.79 crore (43 *per cent* of the demand) at the end of 2004-05. In respect of corporations (except Corporation of Chennai) the arrears of Property tax increased from Rs 92.99 crore to Rs 96.74 crore in absolute terms during the same period, though the percentage of arrears of Property tax amounted to 48 *per cent* of the demand in both years. The CMA intimated (December 2005) that the main reason for the poor collection was the litigations in the Courts relating to the assessment of Property tax and the tax relating to municipalities to be collected in such cases covered by litigation amounted to Rs 84.75 crore as of November 2005.

1.8.7 Professional Tax

The position of demand (inclusive of arrears), collection and balance of Professional tax during the last three years are as given below:

(Rupees in crore)

Year	Corporation of Chennai			Other corporations (except Chennai)			Municipalities		
	Demand	Collection	Balance	Demand	Collection	Balance	Demand	Collection	Balance
2002-03	NA	29.38	NA	13.89	8.75 (63)	5.14	35.37	19.70 (56)	15.67
2003-04	NA	29.48	NA	13.94	8.96 (64)	4.98	37.19	20.73 (56)	16.46
2004-05	NA	46.22	NA	17.29	12.09 (70)	5.20	40.95	22.76 (56)	18.19

(NA: Not Available)

(Figures in brackets indicate the percentage of collection during the year)

The Town Panchayats, Municipalities and Municipal Corporations (Collection of Tax on Professions, Trades, Callings and Employments) Rules, 1999 require all these urban local bodies to maintain a master register containing details relating to the traders, professionals and employers within their municipal limits. The failure of the Corporation of Chennai to maintain such a register resulted in it not being able to issue any demand notices. The Corporation's response to an Audit query for not maintaining it is awaited (January 2006).

1.8.8 Non-tax revenue

Non-tax revenue of ULBs includes fees from building licence, market, survey, parking, encroachment, bays in bus stand, slaughter house, cart stand and fishery rights etc.

Rupees 239.76 crore were collected as non-tax revenue by Corporation of Chennai during 2002-05. The contributions to this revenue from license fees, rent on land and building and private scavenging fees during the above period amounted to Rs 63.46 crore.

1.8.9 Assigned Revenue

A portion of the proceeds arising from (a) Entertainment tax (ET) and (b) Stamp duty Surcharge on transfer of property (SS) are assigned to ULBs. The amounts reported as assigned during 2002-05 are tabulated below:

(Rupees in crore)

Category of ULBs	Entertainment Tax			Stamp duty Surcharge on transfer of property		
	2002-03	2003-04	2004-05	2002-03	2003-04	2004-05
Corporation of Chennai	13.37	6.42	18.19	118.02	112.75	77.01
Other Corporations	19.20	14.96	14.10	62.83	47.12	43.02
Municipalities*	38.10	24.96	25.43	97.64	86.03	82.71
Total	**70.67**	**46.34**	**57.72**	**278.49**	**245.90**	**202.74**

(* Data for 2002-03 and 2003-04 is for 102 municipalities, but is for 151 municipalities for 2004-05).

The above table shows that the proceeds of ET in corporations (except Chennai) and in municipalities in 2004-05 had declined as compared to their proceeds in 2002-03. Similarly, the assigned Stamp duty Surcharge for all corporations and municipalities declined since 2002-03. The decline in surcharge on Stamp duty was attributed by CMA to reduction in the rate of surcharge from five to two *per cent* with effect from November 2003. No specific reasons for the decline in ET were furnished by the CMA (January 2006).

1.8.10 Grants and loans released to Local Bodies

Apart from the devolution grants[2] based on the recommendations of SSFC, various grants were given to ULBs by the Central and State Government for implementation of various schemes under Municipal Urban Development Fund (MUDF), Integrated Development of Small and Medium Towns, Integrated Urban Development Programme, National Slum Development Programme (NSDP), National River Conservation Programme, Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) etc. Besides, loans were also obtained by ULBs from Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) and Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) for these schemes.

The assistance provided by way of grants and loans to ULBs during 2002-05, as compiled by the CMA and reported in the Performance Budget of

[2] SSFC grants to the extent of actual receipts after adjustment.

2-1—5a

Municipal Administration and Water Supply Department for 2004-05 was as follows:

(Rupees in crore)

Year	Corporation of Chennai			Other Corporations			Municipalities			All Urban local bodies		
	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total
2002-03	92.03	68.10	160.13	217.35	7.96	225.31	262.03	22.52	284.55	571.41	98.58	669.99
2003-04	93.50	169.92	263.42	105.09	47.08	152.17	236.00	73.14	309.14	434.59	290.14	724.73
2004-05*	97.77	193.00	290.77	85.35	90.11	175.46	236.47	88.30	324.77	419.59	371.41	791.00

(* provisional figures).

On the declining trend of grants in respect of 'Other Corporations' and municipalities being pointed out, the CMA clarified (March 2006) that many ULBs had reported the net amount of grants received after the deductions made in his office towards pension payment, recoveries in respect of loans obtained earlier from Government, TUFIDCO and TNUIFSL. Consequently, the gross amount of grants received by ULBs and the actual amount deducted from them were not available separately in the compiled account.

As of March 2005, Rs 6.82 crore (Government of India (GOI) grant: Rs 5.12 crore and State Government grant: Rs 1.70 crore) received for implementing SJSRY and Rs 54.57 crore for NSDP from GOI were yet to be utilised. Similarly, Grants aggregating Rs 67.70 crore[3] were lying unutilised with Corporation of Chennai at the end of March 2005 as per their accounts.

1.8.11 Position of outstanding loans

As of March 2005, out of Rs 740.94 crore of loans outstanding with the municipalities and corporations (except Corporation of Chennai), Rs 336.50 crore[4] (Principal: Rs 98.36 crore and Interest: Rs 238.14 crore) was overdue for repayment. The CMA stated (August 2005) that due to weak financial position of ULBs, the overdue loan amount could not be repaid.

1.8.12 State Finance Commission Grants

Government accepted (March 2002) the following recommendation of SSFC for devolution of State's Own Tax Revenues:

➢ The rural and urban local bodies would receive eight *per cent* of the State's Own Tax Revenues after excluding the Entertainment tax receipts. The vertical sharing of resources between rural and urban local bodies would be in the ratio of 58:42.

---

3 MUDF grants: Rs 2.75 crore, NSDP grants: Rs 10.12 crore, Solid waste management grants: Rs 18 crore and other grants: Rs 36.83 crore.

4 Municipalities - Principal: Rs 71.75 crore and Interest: Rs 179.08 crore.
Five Corporations - Principal: Rs 26.61 crore and Interest: Rs 59.06 crore.

➢ Of the total devolutions to the urban local bodies, the resources would be shared between the Corporations, Municipalities and Town Panchayats in the ratio 31:34:35. Consequent to the reclassification of erstwhile Town Panchayats, Government fixed (November 2004) the ratio between the Special Village Panchayats and the Third Grade Municipalities as 28 *per cent* and seven *per cent* respectively.

The details of SSFC grants released to ULBs and their reported utilisation during 2002-05 is tabulated below:

(Rupees in crore)

Year	SSFC grants					
	Corporations		Municipalities		Total Grants	
	Released	Utilised	Released	Utilised	Released	Utilised
2002-03	191.07	189.82	207.09	208.26	398.16	398.08
2003-04	187.17	187.16	202.87	202.85	390.04	390.01
2004-05	182.35	182.35	202.41	202.41	384.76	384.76

The devolution of funds through SSFC grants was meant to cover the maintenance of assets and the salary and wages of employees of the local bodies. Test-check of records relating to the release of funds revealed that Government had deducted at source most of the funds to be released to cover (a) debt repayment and (b) other pending liabilities and dues, consumption charges to Tamil Nadu Electricity Board, water and maintenance charges to Tamil Nadu Water Supply and Drainage Board, Chennai Metropolitan Water Supply and Sewerage Board etc., amounts to be transferred to DLFA, contribution and adjustment of due interest on certain loans obtained by ULBs. The close match between funds released and that utilised, as reflected in the above table is attributable to the aforesaid deduction at source.

1.9 Expenditure incurred by urban local bodies

1.9.1 The year-wise breakup of expenditure incurred by the ULBs during 2002-05 are given below:

(Rupees in crore)

Year	Revenue Expenditure				Capital expenditure	Total expenditure
	Salaries	Pension	Repairs and Maintenance	Total		
2002-03	471.06	142.94	582.64	1196.64	518.32	1714.96
2003-04	422.78	132.41	701.04	1256.23	507.34	1763.57
2004-05*	446.57	137.06	731.07	1314.70	668.01	1982.71**

(* provisional figures).

(** including expenditure incurred by 49 reclassified Third Grade municipalities.)

1.9.2 Revenue Expenditure

Revenue expenditure consists of expenditure on (a) salaries and pensions, (b) repairs and maintenance of street lights, water supply works and road works, (c) conservancy works and (d) administrative expenditure, etc. The details of operation and maintenance expenditure (excluding salary and pension payment) incurred during 2002-05 revealed that they were higher than the expenditure projected by SSFC for these years, as tabulated below:

(Rupees in crore)

Year	Operation and maintenance expenditure	
	Projected expenditure	Expenditure incurred
2002-03	507.94	582.64
2003-04	561.97	701.04
2004-05	619.52	731.07

1.9.3 Capital Expenditure

The sector-wise Capital expenditure *vis-à-vis* the projected expenditure by SSFC for all ULBs during the last three years is tabulated below:

(Rupees in crore)

Name of the core sector	2002-03		2003-04		2004-05		Total	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Roads	91.34	170.83	91.34	268.80	88.47	271.99	271.15	711.62
Street lighting	11.98	17.94	11.98	20.43	11.98	34.03	35.94	72.40
Water supply	64.48	63.43	64.48	65.34	63.43	108.72	192.39	237.49
Storm water drains	50.40	1.85	50.40	16.01	48.71	20.00	149.51	37.86
Conservancy	19.02	8.78	19.02	9.58	19.02	29.75	57.06	48.11
Other capital works	123.48	255.49	123.48	127.18	69.59	203.52	316.55	586.19
Total	**360.70**	**518.32**	**360.70**	**507.34**	**301.20**	**668.01**	**1022.60**	**1693.67**

Total Capital expenditure incurred during these three years was higher than that projected mainly due to the expenditure incurred under Roads. No expenditure was reported as incurred for construction of storm water drains by municipalities and corporations except Corporation of Chennai.

The SSFC projected capital expenditure of Rs 13.82 crore per annum by the six corporations under 'Conservancy' during 2002-05. However, as against the total capital expenditure of Rs 48.11 crore on conservancy works during the above period for all ULBs, the six corporations incurred only Rs 10.48 crore as indicated below:

(Rupees in crore)

Year	Actual expenditure in	
	Chennai Corporation	Other five corporations
2002-03	0.04	0.12
2003-04	1.46	0.80
2004-05	6.74	1.32
Total	**8.24**	**2.24**

This was indicative that none of the Corporations had taken effective measures for ensuring conservancy services to the extent projected by SSFC.

Further, for Solid Waste Management (SWM), SSFC had projected capital expenditure of Rs 95.10 crore during 2002-07. No compiled data was made available for SWM to Audit regarding the actual funds released to the ULBs and expenditure incurred. A review on SWM in selected municipalities and corporations revealed that waste disposal facilities were not set up by the targeted date of 31 December 2003 envisaged in the Municipal Solid Waste (Management and Handling) Rules, 2000 notified by GOI. This review is reflected in Chapter II of this Report.

Similarly, as against Rs 42 crore earmarked each year towards water supply by the municipalities during 2003-04 and 2004-05, only Rs 28.51 crore and Rs 30.50 crore respectively were incurred.

SSFC had suggested 10 *per cent* and five *per cent* of Capital expenditure towards "Remunerative Enterprises[5]" in corporations and municipalities respectively so that the yield from them is more than debt servicing requirement to enable the excess balance being accumulated to build up cash reserve year after year. No data regarding the actual Capital expenditure incurred towards this by all ULBs was available with the CMA. A review on the impact of remunerative assets created in selected municipalities revealed that the revenue realised from such assets was not adequate even to service the debt obtained for their creation, as discussed in Chapter II of this Report.

1.10 User charges

1.10.1 Details of user charges (mainly water charges) collected during the last three years as reported by CMA are given below:

5 Remunerative Enterprises cover assets such as commercial complexes, Kalyana Mandapams, etc.

(Rupees in crore)

Urban Local Bodies	2002-03			2003-04			2004-05 (provisional)		
	Demand	Collection	Balance	Demand	Collection	Balance	Demand	Collection	Balance
Corporations (other than Chennai Corporation)	32.20	22.09 (69)	10.11	42.95	28.99 (67)	13.96	Not available		
Municipalities	53.06	34.70 (65)	18.36	68.48	41.50 (61)	26.98	80.98	48.59 (60)	32.39

(Figures in brackets indicate the percentage of collection against the demand raised).

The above table shows that the percentage of collection of user charges in municipalities had declined from 65 in 2002-03 to 60 in 2004-05. In respect of corporations other than Corporation of Chennai, also the percentage declined from 69 in 2002-03 to 67 in 2003-04. Reply from CMA clarifying whether the figures for Demand include arrears are awaited (December 2005). The CMA attributed the shortfall in collection of user charges to the drought conditions that prevailed in the State. In the reference issued in December 2005 after analysing the monthly reports of Regional Directors of Municipal Administration (RDMAs) for November 2005, CMA observed that the pendency in collection of water charges was more than Rs 50 lakh in each of 24 Municipalities.

1.11 Central Finance Commission Grants

1.11.1 For Tamil Nadu, Eleventh Finance Commission (EFC) had allocated Rs 38.67 crore for ULBs for each of the five years (2000-05) for maintenance of civic services in ULBs and creation of database. However, GOI released Rs 31.43 crore per annum during 2001-02 to 2004-05 with instructions to treat the grants for creation of database as the first charge. Grants of Rs 47.48 lakh given for the creation of database for the period 2001-04 were withheld by State Government and the same were released only during 2004-05. The details of utilisation of this amount are yet to be made available by the Department to Audit.

1.12 Audit of urban local bodies by Director of Local Fund Audit

1.12.1 DLFA is the Statutory Auditor for all ULBs. The DLFA reported (August 2005) that all ULBs had compiled and submitted their annual accounts up to 2003-04.

1.12.2 Audit of accounts of all ULBs was completed up to 2000-01. As of July 2005, the certification of annual accounts was pending in respect of 55 municipalities for 2002-03, 101 municipalities for 2003-04 and all the 151 municipalities for 2004-05. The certification of annual accounts for the year 2001-02 was pending in respect of two corporations and for the years from 2002-03 to 2004-05, in respect of all the six corporations. Position of arrears in completion of audit of ULBs as of July 2005 and reasons therefor are given in **Appendix VIII**.

1.12.3 The number of paragraphs included in the Inspection Reports (IRs) of DLFA that were pending settlement as of March 2005 aggregated to 1,94,280 (**Appendix IX**) of which 1,31,759 related to period prior to 1997-98. As reported (August 2005) by DLFA, the value of the pending paras worked out to Rs 1076 crore. As a result of long pendency, serious irregularities pointed out in various paragraphs were not settled. Despite formation of District High Power Committees, based on the recommendation of SSFC accepted by Government, the continued existence of huge number of audit objections indicate inadequate response from the local bodies in settling them.

1.13 Response to Audit

1.13.1 Despite the instructions of the Committee on Public Accounts (PAC) for furnishing prompt reply to pending recommendations, there were 133 recommendations (9 Reports) relating to 1985-86 to 1996-97 of MAWS Department pending final settlement as of September 2005 (**Appendix X**). Of these, 83 recommendations related to 1992-93 Audit Report. No reasons were made available for such huge pendency. Discussion of Audit Reports pertaining to the year 1996-97 and afterwards are still to be completed.

1.13.2 The position regarding settlement of objections raised by PAG is given below:

- Eighty three IRs issued up to September 2004 containing 966 paragraphs for the period from as early as 1997-98 were pending settlement as of March 2005 for want of replies. Year-wise details of IRs/Paragraphs pending settlement are given in **Appendix XI**. Of these 8 IRs with 50 paragraphs are pending for more than five years. As a result of such pendency, serious irregularities were not settled. CMA replied (August 2005) that proposals were sent (July 2005) for formation of two High Level Committees, one at regional level and one at staff level for the settlement of Audit objections.

- Though Government had in April 1967 fixed a time limit of four weeks from the date of receipt of IRs for furnishing first replies by the Heads of Offices, even first replies were not furnished by 18 municipalities for 310 IR paras as shown in **Appendix XII**.

This indicated the lackadaisical approach of the departmental authorities and such inadequate response resulted in continued existence of the deficiencies and lapses pointed out, further eroding the accountability of the departmental officers.

Recommendations

- A Nodal agency for monitoring the submission of accounts may be earmarked.

- A special drive should be launched to reduce the arrears in the collection of taxes and due.

- A master register containing details relating to all traders, professionals and employers within the limits of the Corporation of Chennai should be maintained to check leakage of Professional tax.

- Arrangements for speedy settlement of audit objections and inspection paragraphs should be strengthened and the pendency in this regard be reduced in a phased manner.

CHAPTER II

PERFORMANCE REVIEWS

CHAPTER II

PERFORMANCE REVIEWS

This chapter presents three performance reviews dealing with (a) Computerisation in municipalities, (b) Solid Waste Management by municipalities and corporations and (c) Income from remunerative assets of municipalities.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.1 Computerisation in municipalities

Highlights

➢ **Of the 18 functions taken up for computerisation, only five to six, on an average, were implemented.**

(Paragraph 2.1.5)

➢ **Software developed was not fully utilised due to defective planning.**

(Paragraph 2.1.6)

➢ **Unwarranted supply of programme development tool (Visual Studio .NET software) and Digital Audio Tape Drives to municipalities resulted in avoidable expenditure of Rs 77.63 lakh.**

(Paragraphs 2.1.7 and 2.1.8)

➢ **Non-raising of demand for Property tax of Rs 39.84 lakh per half year between April 2002 and September 2005 resulted in non-recovery of Rs 2.11 crore.**

(Paragraph 2.1.10)

➢ **Data relating to the 'Birth and Death Registration' contained a variety of errors and deficiencies rendering the data unreliable.**

(Paragraph 2.1.17)

➢ **Due to lack of audit trail, causes for inaccuracies in the calculation of Property tax aggregating to Rs 94.43 lakh could not be identified.**

(Paragraph 2.1.20)

2.1.1 Introduction

In order to improve the efficiency of municipalities in the discharge of their responsibilities Government decided (December 1996) to computerise their functions[1]. This was taken up in 1997 at a total cost of Rs 4.64 crore through a World Bank loan. Additional servers and networking facilities were supplied to the municipalities at a total cost of Rs 10.53 crore in 2003-04.

2.1.2 Functions computerised

An application software in FoxPro encompassing 18 functions[1] of the municipalities was developed by Electronic Corporation of India Limited (ECIL) and supplied to all the municipalities in 1997. The same application was redeveloped by ECIL in client-server environment with Oracle (RDBMS) and Visual Basic (Front end) in 2002.

Software for five crucial functions listed below were further developed in-house on the same platform:

- Property tax
- Water charges
- Professional tax
- Miscellaneous collection
- Personnel management

The software was to be made use of in 102 municipalities (excluding 49 Grade-III municipalities) across the State.

2.1.3 Scope of audit and audit strategy

During the review, conducted from July to September 2005, IT policy, planning, development and implementation of the application software in various municipalities were assessed.

A sample of 20 *per cent* of the municipalities under each grade was selected for detailed examination as indicated below:

---

1 (i) Birth and Death Record System, (ii) Buildings Plan Approval, (iii) Census Records, (iv) Electoral Rolls, (v) Financial Accounting System, (vi) Hospital Records Maintenance, (vii) Miscellaneous Collection System, (viii) Mother and Child Welfare, (ix) Movable and Immovable Properties, (x) Non-Tax Revenue, (xi) Personnel Management System, (xii) Professional Tax System, (xiii) Property Tax System, (xiv) Stores and Inventory, (xv) Solid Waste Management, (xvi) Trade License, (xvii) Water Charges System and (xviii) Vehicle Records System.

Grade of Municipality	Actual Number	Number Audited
Special Grade	13	3
Selection Grade	26	5
Grade-I	38	7
Grade-II	25	5
Total	**102***	**20**

* In June 2004, Government upgraded 49 Town Panchayats as Grade-III municipalities. As computerisation there had just begun, these were not taken up for Audit.

2.1.4 Audit objective and methodology

The objective of the review was to assess whether the aim of computerisation, implemented with a view to bringing about an effective management and rendering better services to the public at minimum cost was achieved. Uniform implementation of the software in all municipalities, suitability of its design, adequacy of controls, consistency, correctness and dependability of data to achieve the set objectives were examined.

Information on the status of computerisation was collected through a questionnaire. Data commencing from implementation (November 2003) of the Oracle system till August 2005 was downloaded and examined in audit using SQL Queries and special programmes.

2.1.5 Partial implementation of computerisation

The computerisation taken up in 1997 is yet to become fully operational in the municipalities for all functions on any of the platforms (either FoxPro before 2002 or Oracle). On an average, only five to six[2] out of the 18 functions were implemented in the municipalities (September 2005) (**Appendix XIII**). There was lack of uniformity in software across the municipalities and monitoring of its implementation was inadequate. Even the implemented modules required corrections and supplementation.

2.1.6 Acquisition of Application Software – defective planning

On commencement of computerisation in 1997, a stand-alone application software encompassing 18 functions was developed by ECIL in 1997 in FoxPro at a cost of Rs 57.95 lakh and installed (September 1998) in all municipalities. At a stage when only four out of these 18 modules had been implemented (2002), a new software for the same functions was developed by ECIL in client-server architecture in 2002 on Oracle at a cost of Rs 26.55 lakh.

[2] (i) Birth and Death Record System, (ii) Property Tax System, (iii) Water Charges System, (iv) Non-tax Revenue, (v) Professional Tax System and (vi) Miscellaneous Collection System.

Both these softwares were developed without finalising, the requirement of the user in the form of an 'User Requirement Specification' or the assessment of the requirement by ECIL in the form of 'System Requirement Specification'. Even before the Oracle software could be fully developed and supplied by ECIL, the Department resorted to in-house customisation of the same. Accordingly, of the 18 modules developed on Oracle by ECIL, five modules were customised in-house and are under implementation. Efforts are on to customise other modules as well. It is apparent that inadequate planning and inadequate assessment of user and system requirement led to frequent changes in development of software and sub-optimal utilisation of software developed at a cost of Rs 84.50 lakh.

2.1.7 Supply of unwarranted software development tool

Unwarranted supply of software resulting in avoidable expenditure of Rs 44.48 lakh.

Computerisation in the municipalities was to work on a set of centrally developed programmes. Accordingly, only executable versions were to be supplied to them since personnel at the municipalities were neither required to make any alteration in the software supplied, nor develop programmes on their own. Hence they did not require any program development tool. However, one copy of 'Visual Studio .NET' procured from HCL Info Systems Limited at a cost of Rs 43,610 (per copy, excluding taxes) and supplied (October 2003) to all the 102 municipalities. No justification for the purchase was drawn up and placed on record. The expenditure of Rs 44.48 lakh on the supply of this software was avoidable.

2.1.8 Unwarranted supply of Digital Audio Tape drives

Unwarranted supply of backup device resulted in avoidable expenditure of Rs 33.15 lakh.

The server procured from HCL Info Systems Limited and supplied (October 2003) to each municipality contained a Digital Audio Tape (DAT) drive costing Rs 32,500. Each municipality was also supplied (October 2003) with one external CD writer. Though both these devices were for taking backup of data, all the municipalities chose to use the external CD writers only. Thus, the supply of DAT drives did not serve any purpose and expenditure of Rs 33.15 lakh incurred towards its supply was infructuous.

2.1.9 Lack of documentation

Though the software developed in-house was in operation for five crucial functions of the municipalities, no documentation or user manuals were prepared and supplied to the municipalities for any of these modules. This resulted in users committing errors as brought out in paragraphs 2.1.18 to 2.1.20.

2.1.10 Demands not raised in respect of assessed properties

Non-raising of Property tax demands to the tune of Rs 2.11 crore in 622 instances.

Taxes for all properties are assessed by the computer system and demands are raised thereafter. In five municipalities taken up for examination, a comparison of the assessments and the demands disclosed that there were 622 instances where properties were assessed for tax of Rs 39.84 lakh while no

corresponding demands were raised. Half year-wise break up of the instances are given in the table below:

Year	Period of the year	Number of cases	Amount per half year (Rupees in lakh)	No. of half yearly periods	Total amount (Rupees in lakh)
2002-03	I half	80	5.53	7	38.71
2002-03	II half	33	23.92	6	143.52
2003-04	I half	10	0.24	5	1.20
2003-04	II half	50	0.31	4	1.24
2004-05	I half	118	7.78	3	23.34
2004-05	II half	114	0.75	2	1.50
2005-06	I half	217	1.31	1	1.31
Total		**622**	**39.84**		**210.82**

In respect of these cases, demands were not raised, due to lack of referential integrity[3] and internal control mechanism resulting in non-recovery of Property tax of Rs 39.84 lakh per half year aggregating to Rs 2.11 crore between April 2002 and September 2005.

Inadequacies in the transfer of Data

The data from the manual system was captured in the FoxPro based application and thereafter the same was transferred to the Oracle based application. However, there were inadequacies in the data transfer as brought out in the following paragraphs.

2.1.11 Non-reconciliation between manual records and computer data

When a computerised system replaced the manual system, all the manual records were transferred to the computerised system. The data thus transferred was to be reconciled with the manual records. However, in respect of all the revenue collection functions in the test checked municipalities, the data captured in the computer system was yet to be reconciled with the manual records. Thus, collection of various dues to the municipalities was carried out based on the unreconciled data on the computer system. As a result, the correctness and completeness of the computer data was not ensured.

3 Ensuring the existence of data in one table with reference to the data already available in another.

2.1.12 Incomplete transfer of data from FoxPro to Oracle

Data captured in FoxPro was not fully transferred to Oracle, rendering the latter data deficient.

Data for all 'Demand, Collection and Balance' based accounting procedures and 'Birth and Death Registration' was captured in 1997 in FoxPro based applications from manual records. When the application was converted to Oracle in 2003-04, the data was migrated using a conversion software. However, in respect of Property Tax System, only the identity of the assessee and the tax payable by him were converted to Oracle leaving out factors like type of construction, age of building, usage, area, annual value, etc. Similarly, in respect of Birth and Death, while the FoxPro application had data from 1992, only data from the year 2000 had been migrated to application based on Oracle. Such incomplete migration of data rendered the present Oracle Database deficient and incomplete. As a result, the calculation of tax during further revisions or making modifications to the existing tax may not be feasible with the current Oracle data.

Deficiency in System Design

The software run in the municipalities had design deficiencies and was unable to function as one integrated unit as brought out in the paragraphs:

2.1.13 Lack of proper integration of modules

The system for collection of dues was claimed to be on-line and fully integrated with all the in-house and external collection counters being linked on LAN and the data centrally stored. However, the collection function was carried out using software developed in-house while the Financial Accounting System being utilised was developed by ECIL. Lack of integration between these modules resulted in tax collection details not reaching the accounting module automatically. As a result, collection details had to be fed manually to the Accounting Module, giving room for errors defeating the purpose of having an integrated system and increasing the time and cost of updation.

2.1.14 Different assessment numbers for the same properties for Property Tax and Water Charges systems

Despite the system being integrated, the same set of properties were given different codes for different functions.

Property tax was due from all properties in a municipality, while Water charges were due only from properties, which had water connections. Thus, payers of Water charges were only a subset of the payers of Property tax. In an integrated computer system it would have been advantageous to have the same code for both Water charges and Property tax. However, the same property was given separate codes for each of these functions thus constituting a deficient data design. As a result, introduction of controls in the form of referential integrity between the two tax collection systems was not possible. A test check, in Ambattur Municipality alone revealed that 2,296 assessees who were paying Water charges were not correspondingly assessed for

Property tax. Thus, there was a risk of non or short-assessment of Property tax.

2.1.15 Non-assignment of Zones by the computer system

The area under each municipality was divided to fall under three or four different zones depending on its prevalent rental value. Each zone was assigned a different 'basic rental rate' using which the Annual Value (AV) of the property was calculated. In the present system, the user had to feed in the Zone Code manually, based on which the computer selected the related 'basic rental rate' and calculated the AV of the property. Incorrect feeding of the Zone Code would lead to under or over assessment of Property tax, which could be avoided if the Zone Codes were included in the master table(s) and the Zone Code was selected automatically based on the address of the assessees.

An examination of data in respect of 15 streets in the Pallavaram Municipality having 210 properties, disclosed that 51 properties where assigned incorrect Zone Codes. This resulted in short assessment of Rs 0.39 lakh in 36 cases and excess assessment of Rs 0.17 lakh in 15 cases.

2.1.16 Incorrect procedures followed in respect of accountal of cheques

The software provided for the accountal of cheque payments and for their reversal if a cheque got dishonoured. However, all the municipalities test checked resorted to receiving and holding cheques outside the computer accounting system till their realisation. Such methodology defeated the purpose of having Property tax collection on-line. Apart from presenting an inaccurate financial position this procedure is inconsistent with the provisions of the Accounting manual for urban local bodies and provides scope for possible irregularities in the handling and accountal of cheques.

2.1.17 Deficiencies in birth and death data

The data on 'Birth and Death Registration' had a variety of errors in large numbers rendering the data unreliable.

For the registration of birth and death, different municipalities were using different versions of the software. An examination of 8.75 lakh births and 1.19 lakh deaths registered in the 20 selected municipalities, disclosed errors and omissions in the data. The major discrepancies noticed are tabulated below:

Sl. No.	Discrepancy	Number of cases
1.	Registrations done on dates earlier to the date of their occurrence	4,519 births in 15 municipalities 4,875 deaths in 13 municipalities.
2.	Age of mother at the time of child birth lower than her age at the time of marriage	1.26 lakh birth cases in 15 municipalities constituting 14.35 *per cent* of the total births (8.75 lakh) in 20 municipalities.
3.	Name of the Father or Mother left blank or filled in with meaningless characters	11,953 births in 18 municipalities. 13,002 deaths in 18 municipalities.

Sl. No.	Discrepancy	Number of cases
4.	Name of the deceased left blank	904 instances in 17 municipalities.
5.	Address of the father of the child left blank	5.39 lakh cases in 20 municipalities constituting 61.64 *per cent* of the total births (8.75 lakh).
6.	PIN code entered as '0'	6.53 lakh cases comprising 74.63 *per cent* of the total number of records examined in 20 municipalities.
7.	Irrelevant characters and numbers were fed in place of religion	10,100 births in 18 municipalities.
8.	Cause of death left blank	9,210 cases
9.	Cause of death contained meaningless character	4,506 cases
10.	Weight of a child on birth:	
	Remained blank	16,104 cases
	Contained Dots and dashes	4,563 cases
	Given as '0'	1.29 lakh cases

All the above errors and omissions were due to lack of effective validation controls at the data input stage thereby adversely affecting the integrity.

Inconsistencies in the calculation of Property tax

Instead of integrating the constant parameters in the application software itself, the assessment of Property tax was done based on a set of parameters to be keyed in by the user at the time of installation of the software. Several deficiencies were noticed in the application of such parameters besides some inaccuracies in the software itself leading to incorrect Property tax assessments as brought out in the following cases:

2.1.18 Inapplicable discount for RCC buildings

Incorrect discount allowed for RCC buildings resulting in short assessment of tax of Rs 3.34 lakh.

Although no 'roof discount' is applicable for RCC buildings as per existing rules, parameters for roof discount of one *per cent* was given for such buildings in Ambattur and Mayiladuthurai municipalities. While Mayiladuthurai municipality was yet to commence assessments through the Oracle application, Ambattur municipality had assessed 8,445 RCC roofed properties giving a discount of one *per cent*.

Non-incorporation of crucial parameter[4] into the system resulted in incorrect data entry of the discount rate leading to short assessment of Property tax of Rs 3.34 lakh from the time of introduction of the Oracle application (2003) to the second half year 2005-06.

4 Parameter indicating discount based on roof type.

2.1.19 Incorrect calculation of Library cess

Library cess collected in respect of each Municipality is to be calculated at 10 *per cent* of Property tax. Despite it being a constant percentage of the Property tax, 'percentage' was required to be entered as a parameter for calculation of Library cess. This unnecessary procedure gave room for the municipalities keying in wrong parameters and calculating incorrect amounts for Library cess. If this parameter had been incorporated in the software itself, incorrect calculation of Library cess as stated below could have been avoided.

	Municipalities		
	Alandur	Madhavaram	Mannargudi
Basic Tax (*per cent* of AV)	11	10.5	14
Percentage of AV to be taken as Library cess	1.1	1.05	1.4
Percentage of AV actually taken for calculating Library cess	10	1.5	10
Number of cases of incorrect calculation	548	1,556	184
Library cess actually collected (in Rupees)	1,78,854	1,41,018	11,896
Library cess actually due (in Rupees)	19,672	98,708	1,666
Excess Collection (in Rupees)	1,59,182	42,311	10,230

2.1.20 Error in calculation of Property tax – Lack of Audit Trail

A well defined and complete audit trail is a pre-requisite for ensuring reliability of data and also acts as an effective internal control mechanism. The system under review did not provide a complete audit trail for the calculation of Property tax. As a result, reasons for short or excess assessments involving Rs 94.43 lakh could not be ascertained in audit or explained by the municipalities.

For want of a complete Audit Trail in the data tables, difference of Rs 94.43 lakh in Property tax could not be reconciled.

Municipality	Usage	No. of cases	Excess or short assessment of tax	No. of cases	Difference (amount in Rupees)
Erode	Residential	2,929	Excess	430	3,33,812
Alandur	Commercial	838	Short	483	89,93,865
Alandur	Residential	3,885	Excess	33	45,523
Madhavaram	Residential	1,515	Short	1,408	24,399
Madhavaram	Commercial	29	Short	28	38,418
Madhavaram	Industrial	25	Short	25	6,631
Total		**9,221**		**2,407**	**94,42,648**

Further, lack of an internal control mechanism led to such inaccuracies remaining unidentified.

2.1.21 Deficiency in application software

Property tax is the sum total of 'Basic tax', 'Library cess' and 'Education tax'. The software has to ensure that the Property tax assessed is the sum total of all the three component taxes. However, in 515 cases from Gobichettipalayam and Erode municipalities, the Property tax calculated did not work out to the total of the three component taxes. The break up details of excess and shortfall year wise is as given below:

Year	Excess		Shortfall	
	Number of cases	Amount (In Rupees)	Number of cases	Amount (In Rupees)
2001-02	1	742	..	..
2002-03	68	47,969	5	401
2003-04	251	2,31,836	78	1,85,419
2004-05	97	52,639	1	123
2005-06 (first half year)	13	2,315	1	64
Total	**430**	**3,35,501**	**85**	**1,86,007**

Such errors in totalling in a limited number of cases cannot be attributed to faulty programming. This is possible only if the tax calculated by the computer has been altered by direct access to the back end tables indicating lack of logical security controls.

2.1.22 All residential properties treated as occupied by the owner

Rented residential properties in large numbers were declared as owner occupied resulting in short levy of Property tax.

Owner occupied residential properties were due for a discount of 30 *per cent* on Property tax. It was seen from the data tables relating to 15 municipalities that the number of rented residences were grossly under-projected in 11 municipalities and ranged between zero to two *per cent* (**Appendix XIV**). In the other four municipalities this ranged between 17 and 30 *per cent*. It was apparent that rented residences have been declared as owner occupied in many municipalities as gauged from the following facts.

- Statistics collected at the Municipality of Pallavaram in the year 1999 indicated that 12.8 *per cent* of the residential buildings were rented.

- Similarly, an examination of data of the same municipality relating to the earlier FoxPro based system (2002-03) indicated that 11.7 *per cent* of their residential buildings were rented.

- The Pallavaram Municipality had not even created a provision in their application software to assess rented residential properties. Consequently, the municipality recorded a '0' *per cent* residential rented accommodation in the

4,803 residential properties assessed using the Oracle system. The municipality in its reply (September 2005) offered to correct the omission in the software and data.

It is thus apparent that municipalities had grossly under-projected the number of rented residences.

2.1.23 Collections of Property tax not accounted for against individual's accounts

An examination of the data relating to collection and accountal of Property tax for the period 1994-95 to 2005-06 disclosed the following discrepancies.

The accountal of amounts received against Property tax demands was deficient.

- 10,369 half yearly demands aggregating to Rs 1.33 crore were reduced despite there being no corresponding receipts, indicating that demands were reduced even without collections.

- In respect of 626 half yearly demands, the reduction of demands were more than the corresponding collections by Rs 7.11 lakh.

- 5,502 receipts aggregating to Rs 65.36 lakh though recorded as received were not accounted for as collections against demands.

- In respect of 6,858 half yearly demands, the reduction of demands were less than the corresponding collections by Rs 70.96 lakh.

Such inaccuracies in the treatment of collections indicated complete mis-match between demand and collection data leading to the inconsistencies in the database apart from making the data itself unreliable.

2.1.24 Conclusions

On account of the deficiencies in planning, the computerisation in the municipalities that started in 1997 is incomplete even after incurring an expenditure of Rs 15.17 crore. Though the software was developed twice by ECIL on different platforms, the Department proceeded with customising the same in-house. The software customised in-house was also deficient resulting in lack of data integrity. Lack of documentation resulted in users being unable to make correct use of the software. Unnecessary hardware and software valued at Rs 77.63 lakh were supplied to the municipalities resulting in avoidable expenditure. Demands amounting to Rs 2.11 crore were not raised and inapplicable discounts were allowed to the tune of Rs 3.34 lakh. Incorrect data design, non-availability of audit trail, lack of referential integrity and internal control mechanism resulted in incorrect tax assessments.

2.1.25 Recommendations

For proper implementation of computerisation in the municipalities, the following is recommended:

- Proper planning should precede any computerisation effort, focusing on the in-house expertise available.

- Documentation of computerisation in terms of design documents, user manuals, etc., should be ensured.

- An effective internal control mechanism to monitor the implementation and operation of the computerisation process may be put in place.

- System should have an in-built mechanism to capture audit trail of transactions in view of its criticality to the functioning of the organisation.

- Referential integrity in the database should be ensured.

- Reconciliation of the computer data with the manual data should be carried.

- As the basic rates of the tax, Zone Codes, etc., do not change frequently, their entry at the data entry stage should be avoided by automating the same.

- User manual should be obtained from the software developer.

The above points were referred to Government in December 2005; reply had not been received (January 2006).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.2 Solid Waste Management by municipalities and corporations

Highlights

➢ **Out of 151 municipalities in the State, only two have established waste processing and disposal facilities and only 45 have obtained authorisation from Tamil Nadu Pollution Control Board for setting up such a facility.**

(Paragraph 2.2.6)

➢ **Out of 102 municipalities (excluding the 49 Grade III municipalities), five had no land for dumping solid waste while 36 had inadequate land for this purpose.**

(Paragraph 2.2.7)

➢ **Rupees 1.12 crore spent by three municipalities towards acquisition of land remains blocked as the land could not be put to use due to its proximity to an Air Force Station.**

(Paragraph 2.2.8)

➢ **Corporation of Madurai failed to initiate early action for obtaining approval of the State Government for reclassification of the site where solid waste bio-conversion treatment facility was to be set up as 'industrial zone' resulting in delay in getting approval. Non-setting up of the facility resulted in loss of revenue of Rs 35.10 lakh during December 2002 to November 2005.**

(Paragraph 2.2.9)

➢ **The quantity of garbage cleared by a private agency in the zones where garbage collection was privatised by Corporation of Chennai was inexplicably higher by 21 to 66 *per cent* and resulted in excess expenditure of Rs 37.07 crore during the years 2001 to 2004.**

(Paragraph 2.2.14)

➢ **All the 313 Government hospitals and 1,852 (out of 2,255) private health care units did not obtain authorisation for disposal of bio-medical waste from Tamil Nadu Pollution Control Board as required under Bio-medical Waste (Management and Handling) Rules, 1998.**

(Paragraph 2.2.15)

> ➢ **Private scavenging fee to the extent of Rs 2.07 crore was not collected by Corporation of Chennai during 1999-2005 from marriage halls, shops and trade establishments. There was shortfall in collection of Rs 18.58 lakh during 2002-05 by Corporation of Madurai towards periodical conservancy charges from bulk garbage generators like marriage halls, hotels, lodges, etc.**

(Paragraph 2.2.16)

2.2.1 Introduction

Proper disposal of solid waste is essential for avoiding health hazards posed by the flies and rodents feeding on the exposed garbage which could result in spread of diseases and contamination of surface and ground water. In order to combat this menace, the Supreme Court of India issued (January 1998) directions regarding proper collection and disposal of solid waste.

In the context of the above, Government of India (GOI) notified (September 2000) the Municipal Solid Waste (Management and Handling) Rules, 2000 (MSW Rules) in exercise of the powers conferred under the Environment (Protection) Act, 1986. The Rules provide for safe disposal of municipal waste to prevent contamination of ground water, surface water and ambient air quality and fix the responsibilities on municipal authorities, District administration, State Pollution Control Board and the State Government. The Rules also specified a time schedule for implementing the solid waste management (SWM) and recommended biomethanisation, composting or pelletisation as methods of disposal of solid wastes. The Rules required all municipalities to set up complete waste processing and disposal facilities by end of December 2003. The Government of Tamil Nadu had issued orders for implementation of the MSW Rules, by the municipalities and corporations in December 2001.

2.2.2 Organisational set up

The Commissioners of municipalities and corporations are in charge of implementing the MSW Rules, 2000. The Commissioner of Municipal Administration (CMA) releases the grants sanctioned by the State Government and guides and controls the overall implementation of SWM in 151[1] municipalities in the State. The Tamil Nadu Pollution Control Board (TNPCB) issues necessary authorisation to the municipalities for the sites selected for the disposal of municipal wastes after ensuring the compliance of the conditions stipulated by it.

---

[1] Special Grade: 13, Selection Grade: 28, I Grade: 36, II Grade: 25 and III Grade (came into existence from June 2004 due to upgradation of Town Panchayats): 49.

2.2.3 Audit Coverage

The implementation of provisions of MSW Rules, 2000 and solid waste management was studied in the offices of the CMA, TNPCB, 22 municipalities (out of 102 municipalities excluding Grade III) (**Appendix XV**) and three corporations (*viz.*, Chennai, Madurai and Salem) out of six corporations during July and August 2005, covering the period 2000-05.

2.2.4 Financial performance

Three municipalities and three corporations did not utilise the grant of Rs 2.25 crore received during 2003-05.

No grant was received from GOI during 2000-05 for SWM. The details of grants released by the State Government to 68 municipalities, which either had no land or had inadequate land to set up compost yard for purchase of land and the expenditure incurred by them till December 2005 were as below:

(Rupees in lakh)

Year	Number of municipalities	Grant released	Amount spent	Balance	Percentage of utilisation
2000-01	19	175	99.10	75.90	57
2003-04	29	150	69.93	80.07	47
2004-05	20	150	2.72	147.28	2
Total	**68**	**475**	**171.75**	**303.25**	**36**

(No grants were released during 2001-02 and 2002-03).

The non-utilisation of the grants by the urban local bodies is commented upon under appropriate paragraph.

In addition, the State Government had also allocated 50 *per cent* of the Incentive Funds to the municipalities and corporations under the Second State Finance Commission's (SSFC) recommendations for subsiding the cost of SWM projects. The following amounts were released during 2003-04 and 2004-05 to 91 municipalities and six corporations:

(Rupees in crore)

Year	Number of		Amount
	Municipalities	Corporations	
2003-04	64	6	8.57
2004-05	89	6	33.59
Total			**42.16**

Out of 25 urban local bodies test checked, 13 municipalities and the three corporations had received Rs 2.95 crore in March 2004 (**Appendix XVI**). Out of this, Rs 2.25 crore released to three corporations (Chennai, Madurai and Salem at Rs 68.10 lakh each) and three municipalities (Chidambaram, Manapparai and Tindivanam at Rs 7.00 lakh each) remained unutilised (December 2005). The municipalities and corporations generally stated

2-1—8a

(September 2005 and January 2006) that the grants would be utilised once the projects for SWM are taken up after loans from various agencies such as Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited and Tamil Nadu Urban Infrastructure Financial Services Limited are sanctioned to meet their full cost.

2.2.5 Unutilised grants in belt municipalities

The State Government released Rs 14 crore[2] as grant during 2001-05 to eight belt[3] municipalities for purchase of vehicles for transportation of solid waste and to set up compost yard/transfer stations. The details of expenditure incurred till December 2005 by the three test checked belt municipalities are indicated below.

(Rupees in lakh)

Sl.No.	Name of municipality	Amount released	Expenditure	Balance
1.	Ambattur	148.50	76.00	72.50
2.	Avadi	134.50	12.50	122.00
3.	Pallavaram	224.50	43.27	181.23
	Total	**507.50**	**131.77**	**375.73**

Thus, despite the availability of funds these municipalities could not build required infrastructure for implementing provisions of solid waste management.

2.2.6 Setting up of waste disposal facilities

Out of 151 municipalities in the State only two have established waste processing and disposal facilities.

The quantity of solid waste generated per day in the six corporations and 102 municipalities in the State was 5,070 MT and 3,125 MT (2001 data) respectively. As of September 2005, only two municipalities (Namakkal and Tiruppur) in the State had established waste processing and disposal facilities and commenced composting operations. Further, only 45 out of 151 municipalities had obtained authorisation from TNPCB for commencement of operations, while the setting up of waste processing and disposal facilities should have been completed on 31 December 2003 or earlier as per the time schedule in MSW Rules, 2000. Thus, 98 *per cent* of the municipalities had not set up the required facilities even two years after the due date. As a result the solid waste generated in the test checked three corporations (3,885 MT per day) and 22 municipalities (893.50 MT per day) was being transported to dumping sites without any treatment.

---

2 December 2001: Rs one crore; March 2004: Rs six crore and March 2005: Rs seven crore.

3 Belt municipalities: municipalities abutting Corporation of Chennai *viz*., Alandur, Ambattur, Avadi, Kathivakkam, Madhavaram, Pallavaram, Tambaram and Tiruvottiyur.

The CMA in his Strategy and Action Plan Report stated (October 2004) that as there were problems in identification and acquisition of land and development/installation of appropriate technologies for waste processing, the time schedule indicated in the MSW Rules, 2000 could not be adhered to. Hence, he sought revision of time schedule till 2007 for setting up of the facilities.

In this context, it is noted that the State Government issued orders (December 2001) for implementation of MSW Rules more than a year after they were notified (September 2000) by GOI. Moreover, as brought out in paragraph 2.2.8 below, the delay in identifying suitable land for disposal of MSW was partly due to failure of the Government and the urban local bodies in building up a favourable opinion for scientific disposal of MSW.

MSW Rules, 2000 provide that wastes from slaughter houses, meat and fish markets, fruits and vegetable markets being biodegradable in nature should be collected and made use of. The Rules contemplate that such wastes be processed by composting, vermi-composting, anaerobic digestion or any other appropriate biological processing for stabilisation. However, these provision of the MSW Rules, 2000 were not given effect to as no facility for processing of biodegradable waste has been set up.

2.2.7 Procurement of land for composting

Out of 102 municipalities 41 did not have adequate land for dumping solid waste.

The Tenth Five Year Plan contemplated (March 2003) requirement of one acre of land for compost yard for every 10,000 population in municipalities/ corporations. The status regarding availability of land for dumping solid waste in 102 municipalities[4] as of December 2005 was as below:

Municipalities which had adequate land	61
Municipalities which required additional land	36
Municipalities which had no land for dumping	5

The normative requirement of land of the five municipalities that had no land is 25.01 acres. Similarly, the normative requirement of the 36 municipalities with a shortfall in this regard was 346.53 acres against 202.74 acres available. Of these 36 municipalities, 17 municipalities had a shortfall exceeding 50 *per cent* (**Appendix XVII**).

Out of Rs 3.25 crore released by the State Government during 2000-04 to 48 municipalities for acquisition of land, only 27 municipalities had spent Rs 1.63 crore (December 2005) towards purchase of 230.11 acres of land. The fact that nearly 50 *per cent* of the amount released for purchase of land is still to be utilised indicates that the implementation of the programme would further be delayed.

4 Before upgradation of 49 town panchayats as Grade III municipalities in June 2004.

Of the Rs 22.83 lakh released by the State Government to four[5] municipalities in March 2001 for purchase of land, the municipalities acquired (between June 2001 and October 2003) the required land at a cost of Rs 15.53 lakh. The unutilised grant, Rs 7.30 lakh had not been refunded to Government so far (September 2005).

2.2.8 Non-availability or inadequacy of land for dumping waste

Out of 22 test checked municipalities, land was available with 16, was inadequate in five and the remaining one did not have any land for setting up of a waste disposal facility. Of the three corporations test checked, Corporation of Salem did not have adequate land for composting operations. The status in respect of few such local bodies is discussed in the succeeding paragraphs.

Ambattur and Avadi Municipalities

Ambattur and Avadi Municipalities jointly acquired (October 2004) 10.40 acres at Sekkadu village at a cost of Rs 32.58 lakh for dumping solid waste. However, this land was not put to use due to protest from public.

Alandur, Pallavaram and Tambaram Municipalities

Expenditure of Rs 1.12 crore on acquisition of 50 acres of land for use as land fill site has not served the purpose due proximity to an Air Force Station.

MSW Rules, 2000 stipulate that the land fill site should be located at least 20 km away from any air station. However, Alandur, Pallavaram and Tambaram municipalities jointly acquired 50 acres of land at Vengadamangalam village (October 2004) at a cost of Rs 1.12 crore without prior approval of Air Force though Tambaram Air Force Station is just six kms away. This site could not be put to use as there was objection from the Air Force authorities. Thus, Rs 1.12 crore spent by the three municipalities for acquisition of the land remains blocked and has not served the purpose for which it was spent.

Government stated (March 2006) that the issue has been taken up with the GOI for resolving the matter.

2.2.9 Delay in setting up of facility

Corporation of Madurai

Failure of the Corporation to get reclassification of site resulted in non-setting up of bio-conversation treatment facility and also in loss of revenue of Rs 35.10 lakh.

The Corporation of Madurai awarded (August 2000) the work for setting up of a solid waste bio-conversion treatment facility for producing organic manure at its compost yard in Avaniapuram on build, own, operate and transfer basis. The Corporation was to provide 30 acres of land on lease for 15 years and supply 200 MT of solid waste daily at a price of Rs 3.50 per MT to the facilitator. The lease rent was fixed at Rs 30,000 per acre for the first year and

[5] Kulithalai, Sirkali, Tiruvallur and Vandavasi.

gradually increased to Rs 60,000 in the fifteenth year. The Corporation gave 'enter upon' permission to the facilitator in May 2001 and the plant was to be set up within 18 months.

As the power requirement of the compost making machine was 150 HP, the location where the facility was to be set up was to be reclassified as 'industrial zone' from the existing 'mixed residence zone' where machine up to five HP only can be set up. The Corporation addressed the Government in May 2002 and obtained approval in May 2004. In the meantime, the clearance obtained from TNPCB in May 2003 (valid up to March 2004) for setting up the facility expired.

Accordingly, the agreement with the facilitator was terminated (March 2005) and the Corporation decided to set up the plant on its own. Later the Council of the Corporation resolved to entrust the work to the same facilitator (September 2005). The delay in initiating action for getting approval of reclassification from Government resulted in, besides the health hazard caused due to unscientific disposal of MSW, loss of revenue of Rs 35.10 lakh for the period from December 2002 (18 months from May 2001) to November 2005 towards the lease rent (Rs 28.80 lakh) and sale of waste to facilitator (Rs 6.30 lakh).

Dindigul Municipality

Despite availability of its own land, the Municipality made futile efforts for acquisition of land elsewhere and delayed the creation of a compost yard.

Though the Municipality had 100 acres of its own land at Odukkam village, it proposed to acquire land from the Madurai Market Committee for setting up a compost yard by exchanging a portion of the land from its existing dumping yard at Murugabhavanam, Palani Road. The proposal was dropped as TNPCB did not approve the site proposed to be acquired. Another attempt (August 2002) by the Municipality to acquire land from a private individual also failed as the owner of the land refused to sell the land stating that the cost fixed by the Municipality was very low. Ultimately, the Municipality decided (June 2004) to set up compost yard utilising 25 acres out of its own land in Odukkam village. The action of the Municipality for acquisition of land while it had its own land enough to set up the compost yard resulted in avoidable delay in setting up of the facility. The grant of Rs eight lakh received (January 2003) from CMA for purchase of land was not surrendered (November 2005).

2.2.10 Abandoning of composting yard - infructuous expenditure

Erode Municipality proposed (April 2004) to set up a compost yard at Lakkapuram at a cost of Rs 92.50 lakh and identified a 10 acres site within the 51.75 acres of land given by it to the Tamil Nadu Water Supply and Drainage (TWAD) Board in February 2002 for setting up a sewage treatment plant. The

Municipality constructed (August 2004) concrete windrow[6] platform at a cost of Rs 9.61 lakh on the above site without obtaining authorisation from TNPCB. As the sewage treatment plant set up by TWAD Board developed leaks in the cut off wall, the site selected for composting got flooded with waste water. Accordingly, the Municipality decided (September 2005) not to take up composting activity on that site. The expenditure of Rs 9.61 lakh from the general funds of the Municipality on construction of windrow platform became infructuous.

2.2.11 Shortfall in house-to-house collection of waste

The MSW Rules, 2000 stipulate that the municipal authority should organise house-to-house collection of solid waste to segregate MSW between biodegradables and non-biodegradables. Out of the 25 local bodies test checked, in 11 municipalities and three corporations house-to-house collection and segregation of waste as required was not done in 345 out of 623 wards. Even segregation of waste in the remaining 278 wards was inconsequential as the segregated waste was not made use of for compost preparation, rendering the whole exercise futile.

2.2.12 Shortfall in privatisation of garbage clearance

The Tenth Five Year Plan envisages privatisation of 20 *per cent* of the conservancy operations by 2004-05 in urban areas. Out of 25 urban local bodies test checked, ten municipalities and Corporation of Salem did not privatise the conservancy operations, Corporation of Madurai privatised 7.5 *per cent* of the operations and others had achieved the target.

2.2.13 Hiring of private vehicles for transportation of waste

Corporation of Madurai

Due to engagement of lorries instead of tractors, the Corporation of Madurai had to spend Rs 39.53 lakh in excess.

The Corporation of Madurai had been hiring private tractors for transportation of garbage for a long time as far back as 1984. In order to reduce the usage of tractors as their capacity to carry garbage was low and to accelerate removal of garbage, the Corporation decided (August 1999) to engage lorries. Number of vehicles hired during 2002-04 and rates per trip as settled through tenders were as follows:

Year	Tractor		Lorry	
	No.	Amount per trip (Rupees)	No.	Amount per trip (Rupees)
2002-03	50	220	13	605
2003-04	40	220	13	605

[6] Windrow: Stocking of solid waste in rows to a height of about one metre and breadth of two metres on cement concrete platform for watering and turning for compost preparation.

The average carrying capacity of a tractor and lorry through three trips was 4.05 MT and 6.75 MT per day respectively. The rate for transportation of waste worked out to Rs 163 and Rs 269 per MT for tractor and lorry respectively. The Corporation did not maintain a compilation indicating the quantity of garbage cleared and the amount paid contractor-wise. Had tractors been engaged instead of the lorries, the Corporation could have saved Rs 9,301 per day during the 17 months i.e. Rs 39.53 lakh during the period November 2002 - April 2004. Incidentally, on the basis of fresh tenders floated for 2004-05, the rates per MT were Rs 207 for tractor and Rs 132 for lorry which indicates that rate paid during 2002-04 for lorries was unreasonably high.

Erode Municipality

Due to non-utilisation of own vehicles to the optimum, Rs 88.80 lakh was incurred on hiring charges of private vehicles.

The average quantity of waste generated in the Municipality ranged from 85 MT to 104 MT per day during 2000-05. The total carrying capacity of the eight vehicles owned by the Municipality was 87 MT per day for transportation of the waste. The Municipality spent Rs 1.60 crore for hiring of private vehicles for transportation of waste at rates ranging from Rs 149.75 per MT to Rs 189.75 per MT during 2000-05. Had the Municipality utilised its vehicles and manpower to the optimum it would been able to clear 26,100 MT[7] per annum and clearance through private vehicles would have been significantly lower as indicated below:

Year	Annual quantity of waste generated (MT)	Waste to be cleared by private vehicles (MT)	Hire charges payable for private vehicles	
			Rate per MT (Rupees)	Amount (Rupees in lakh)
2000-01	31,051	4,951	149.75	7.41
2001-02	35,116	9,016	149.75	13.50
2002-03	35,355	9,255	167.95	15.54
2003-04	38,006	11,906	186.75	22.23
2004-05	32,698	6,598	189.75	12.52
Total	**1,72,226**	**41,726**		**71.20**

Thus, expenditure to the extent of Rs 88.80 lakh towards hire charges of private vehicles in excess of requirement was avoidable.

2.2.14 Excess quantity of garbage cleared by private agency in Corporation of Chennai

Quantity of garbage cleared by a private agency was inexplicably higher by 21 to 66 *per cent* resulting in excess expenditure of Rs 37.07 crore.

Corporation of Chennai privatised (March 2000) garbage collection in its Zone VI, VIII and X. A comparison of waste generated in these zones and cleared by the private agency with that in other zones revealed that the waste generated in the privatised zones was more by 21 to 66 *per cent* during the years 2001 to 2004. Due to excess quantity of waste depicted to be cleared by the private agency there was excess expenditure of Rs 37.07 crore to the Corporation as tabulated below:

7 Calculated for 300 working days in a year at the rate of 87 MT per day.

Year	Waste cleared (MT)		Waste generated Per capita[8] per year (in kgs.)			Excess quantity cleared in privatised zones (MT)[9]	Rate per MT (Rupees)	Excess expenditure (Rupees in crore)
	Privatised zones	Other zones	Other zones	Priva-tised zones	Excess (Per-centage)			
2001	4,19,168	6,67,660	221	317	43	1,27,227	712	9.06
2002	4,39,385	6,02,726	193	321	66	1,75,837	760	13.36
2003	3,95,815	6,92,443	213	279	31	93,037	860	8.00
2004	4,00,632	7,61,097	226	273	21	67,834	980	6.65
Total	**16,55,000**	**27,23,926**				**4,63,935**		**37.07**

The Corporation justified (September 2005) the excess generation of waste quoting migration of people from rural areas, floating population, change in style of living, etc., as reasons. However, the above reasons did not hold good as the excess generation in the privatised zones, which was 66 *per cent* during 2002 has come down to 31 *per cent* in 2003 and 21 *per cent* in 2004. Further, the waste generation is pronounced only in the zones privatised.

2.2.15 Bio-medical waste management

All the 313 Government hospitals and 1,852 private health care units did not obtain authorisation for disposal of bio-medical waste.

The Government of India notified the Bio-Medical Waste (Management & Handling) Rules, 1998 (amended in 2000) under the Environment (Protection) Act, 1986 which was enforced in Tamil Nadu by TNPCB. According to the Annual report of the TNPCB, health care units in Tamil Nadu were generating (May 2005) 57,461.50 kgs of Bio-medical waste (BMW) per day out of which only 2,382 kgs (4.15 *per cent*) alone get treated and disposed of as envisaged in the Rules. A review was undertaken in October 2005 at seven[10] Government Medical College Hospitals to assess the extent of implementation and compliance to the above Rules.

Test check revealed the following:

- None of the seven hospitals had submitted the prescribed application for obtaining authorisation for disposal of waste from the TNPCB.

---

[8] Waste generated per capita was arrived at with reference to population as per 2001 census compounded at 3.6 *per cent* per annum.
Population as per 2001 census: Privatised zones 13,21,476; Other zones 30,22,169

[9] Calculations based on waste generated in other zones divided by Population in other zones multiplied by population in private zones and resultant figure to be deducted from the waste cleared in private zones. Example: 6,67,660/30,22,169 X 13,21,476 = 2,91,941 MT (4,19,168 MT – 2,91,941 MT = 1,27,227 MT).

[10] (1) Government General Hospital, Chennai; (2) Kilpauk Medical College Hospital, Chennai; (3) Thanjavur Medical College Hospital, Thanjavur; (4) Rajah Mirasudar Hospital, Thanjavur; (5) Annal Gandhi Memorial Hospital, Tiruchirappalli; (6) Mohan Kumaramangalam Medical College Hospital, Salem and (7) Rajaji Medical College Hospital, Madurai.

➢ Further, these hospitals had not taken any action either to set up their own treatment facility nor had any proposal to utilise the nearest common treatment facility as suggested by the TNPCB.

➢ All the seven hospitals except Madurai dispose of the anatomical waste by deep burial either inside the hospital complex or at the municipal dumping grounds. In Madurai, only the placenta is collected and incinerated in a private incinerator set up in the Corporation burial ground and there is no indication regarding the disposal of other type of anatomical waste. As far as Government Hospitals in Chennai are concerned, deep burial at Kodungaiyur dumping grounds for disposal of BMW, which was permitted (July 2004) by TNPCB only as a temporary measure for three months was being continued (October 2005). The other type of BMW were treated as municipal waste. According to BMW Rules, 1998 deep burial of anatomical waste is recommended for towns having population less than five lakh and for rural areas only. All the seven hospitals are situated in district head quarters having population more than five lakh and hence they cannot adopt burial as method of disposal.

➢ In three of the seven hospitals, dedicated autoclaves for treating needles and syringes were not available. Only one hospital has needle shredder to dispose the used needles.

➢ No records on the receipt and disposal of the BMW are maintained by six hospitals as required under the Rules.

Though the BMW Rules are in force from July 1998, the implementation of the same had not made any significant progress both in the Government sector as well as in private sector as 1,852 out of 2,255 private health care units and all the 313 Government hospitals have not obtained authorisation from TNPCB. The fact that only 2,382 kgs out of 57,461.50 kgs of BMW generated per day in the State is treated and disposed is indicative of the fact that despite the availability of seven common treatment facilities functioning in the State, the provisions of the BMW Rules, 1998 were not adhered to in disposal of BMW.

2.2.16 Private scavenging fee not collected

Corporation of Chennai

Private scavenging fee of Rs 55.32 lakh from marriage halls and Rs 1.51 crore from the shops and trade establishments not collected.

As empowered in the Chennai Municipal Corporation Act, 1919, Corporation of Chennai levied private scavenging fee on marriage halls at various rates fixed with reference to their capacity. A test check of records by Audit in Zone V of the Corporation revealed that this fee was not being collected. Similar scavenging fee was being collected from hotels and lodges by the Health department of the Corporation. However, the Health department did not maintain any records for demand and collection of the fee from marriage halls nor maintained a list of marriage halls. Number of marriage halls within the Corporation as ascertained from Revenue department of the Corporation

with reference to Property tax assessments was 461. The private scavenging fee not collected during 2002-05 worked out to Rs 55.32 lakh adopting the minimum rate of fee of Rs 4,000 *per annum* per marriage hall. As the marriage halls were assessed to Property tax, the Corporation could have collected the fee along with the Property tax.

The private scavenging fee was also leviable on shops and trade establishments at 25 *per cent* of the licence fee or at Rs 500 whichever was higher. However, there was shortfall in collection of the above fee to the extent of Rs 1.51 crore for period 1999-2002 as tabulated below:

(Rupees in lakh)

Year	Licence fee collected	Private Scavenging fee		Shortfall
		Due	Collected	
1999-2000	316.68	79.17	23.87	55.30
2000-2001	302.67	75.67	26.77	48.90
2001-2002	328.81	82.20	34.94	47.26
Total	**948.16**	**237.04**	**85.58**	**151.46**

During 2002-05, the collection exceeded 25 *per cent* of the licence fee. However, the Corporation had not taken action to recover the arrears of the previous years.

Corporation of Madurai

There was shortfall of Rs 18.58 lakh in collection of periodical conservancy charges by Corporation of Madurai from marriage halls, hotels, lodges, etc., during 2002-05.

The Corporation of Madurai introduced (June 1999) levy of conservancy charges (periodical charges) on bulk garbage generators like marriage halls, hotels, lodges, etc. The Corporation did not maintain any demand, collection and balance records for this item of revenue. With reference to details of bulk garbage generators, the periodical charges leviable at the minimum rates was Rs 41.73 lakh for 2002-05, whereas the actual amount collected was Rs 23.15 lakh only. The reasons for shortfall of Rs 18.58 lakh were not analysed by the Corporation.

2.2.17 Purchase of an ineligible item

Tiruchengode Municipality utilised the grant of Rs seven lakh released (April 2004) under SSFC recommendations for SWM purposes for purchase of sullage tanker. As the sullage tanker could be used only for clearance of septic tanks, the utilisation of grant was not for SWM purposes.

2.2.18 Information, Education and Communication activities

MSW Rules, 2000 stipulated that municipal authority should organise awareness programmes for segregation of wastes, to promote recycling or reuse of segregated materials and undertake phased programme to ensure community participation in waste segregation. For this purpose regular meetings at quarterly intervals were required to be arranged by the municipal

authorities with the representatives of local resident welfare associations and NGOs. However, out of 25 test checked local bodies, only 17 carried out Information, Education and Communication (IEC) activities. No activity was undertaken by five municipalities and one corporation (Salem) and information was not furnished by one municipality and one corporation (Madurai) regarding IEC activities undertaken by them.

2.2.19 Conclusions

Though the MSW Rules, 2000 required that waste disposal facilities should be set up by the municipalities by 31 December 2003 or earlier, only two municipalities have set up such facilities. Five municipalities did not possess any land and 59 municipalities had inadequate land for disposal of solid waste. There was avoidable expenditure on hiring private vehicles for transportation of waste. Further, privatisation of conservancy operations was not achieved to the extent envisaged in the Tenth Five Year Plan. Most of the units generating BMW did not obtain authorisation from the TNPCB for their disposal and only 4.15 *per cent* of BMW generated was being treated and disposed of as envisaged in the rules. Thus there was tardy progress in the implementation of MSW Rules, 2000 and BMW Rules, 1998 by the municipalities and corporations.

2.2.20 Recommendations

- Concerted action should be taken for acquisition of land and setting up waste disposal facilities with the authorisation of TNPCB.

- House-to-house collection of waste, modernisation of garbage collection and privatisation of conservancy operations to the extent envisaged should be given due priority.

- Action should be taken to ensure that all units generating BMW obtain authorisation from TNPCB for disposal of BMW in the manner envisaged in the Rules.

- Optimum utilisation of vehicles available with the local bodies should be ensured before hiring private vehicles for transportation of solid waste.

- Private scavenging fee and conservancy charges should be collected with out any let up through watching the progress of collection through appropriate records. Municipalities which did not levy and collect such fee should take action to levy and collect appropriate fee from bulk refuse generators.

The above points were referred to Government in December 2005; reply had not been received (January 2006).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.3 Income from remunerative assets of municipalities

Highlights

> **Eight municipalities could not realise projected rental income aggregating Rs 1.26 crore due to construction of shopping and office complexes without assessment of demand.**

(Paragraph 2.3.6)

> **Three municipalities suffered a shortfall in projected revenue to the extent of Rs 1.03 crore due to construction of shops, stalls, offices, etc., in remote locations.**

(Paragraph 2.3.7)

> **Delay in allotment of new shops, constructed on land adjoining old shops that were demolished, to the previous lessees despite such a promise, resulted in Tirupattur Municipality suffering rental loss of Rs 40.88 lakh.**

(Paragraph 2.3.9)

> **Coonoor Municipality suffered a revenue loss of Rs 29.48 lakh for the period from April 2001 to August 2005 due to non-collection of enhanced rent in respect of 452 shops run by legal heirs and nominees of original lessees.**

(Paragraph 2.3.10)

> **Failure of four municipalities to renew or obtain recognition of bus stand from Regional Transport Authority resulted in non-collection of bus stand fee of Rs 23.85 lakh during April 1997 to March 2005.**

(Paragraph 2.3.13)

2.3.1 Introduction

Projects undertaken by municipalities are classified as 'Service Projects' or 'Remunerative Projects'. Assets created under the latter called remunerative assets in this review include bus stands, cycle stands, shopping complexes, marriage halls, godowns, etc. Revenue from such assets constitute approximately 25 *per cent* of the total revenue of the municipalities in the State.

2.3.2 Organisational set up

There are 151 municipalities categorised[1] under various grades in the State. The municipalities come under the administrative control of Secretary, Municipal Administration and Water Supply Department at Government level. The Commissioner of Municipal Administration (CMA) is the head of the department and is assisted by seven Regional Directors of Municipal Administration (RDMA) at regional level.

The management of municipal assets is the responsibility of the Commissioners of municipalities concerned duly assisted by Municipal Engineers, Town Planning Officers, Revenue Officers, etc.

2.3.3 Audit objectives

The overall objective was to examine whether the remunerative assets created were put to their intended use and the projected income therefrom was derived.

2.3.4 Scope of Audit

During the review conducted from April 2005 to July 2005, records at Directorate of Municipal Administration and 23 municipalities (**Appendix XVIII**) were test checked. The review covered the period from 2000-01 to 2004-05, but earlier periods were also covered in respect of assets created earlier if found improperly managed. In addition, information from two Government Companies *viz.* Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) and Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL), which gives loans to municipalities for creation of assets was also obtained.

2.3.5 Funding

Municipalities create assets not only from Government grants and loans but also from their own resources and borrowings from financial institutions such as TUFIDCO and TNUIFSL. The loans are expected to be serviced out of the income earned from the remunerative assets. Delayed repayment of loan instalments attracts penal interest.

During 2000-05, the municipalities of the State obtained loans aggregating Rs 241.72 crore for creation of assets and earned a Non-tax revenue of Rs 452.91 crore derived from remunerative assets e.g. market fees, rent from shopping complexes, etc. Year wise details are given below:

---

[1] Special Grade: 13; Selection Grade: 28; I Grade: 36; II Grade: 25 and III Grade (came into existence from June 2004 due to upgradation of Town Panchayats) : 49.

Year	Loans obtained	Total revenue	Non-tax revenue@	Percentage of non-tax revenue to total revenue
	(Rupees in crore)			
2000-01	36.02	300.40	64.31	21
2001-02	21.74	364.68	95.52	26
2002-03	22.52	415.80	103.54	25
2003-04	73.14	358.94	90.99	25
2004-05*	88.30	384.16	98.55	26
Total	**241.72**	**1823.98**	**452.91**	**25**

* Figures of 2004-05 are provisional.

@ Excludes grants-in-aid from Government of India, State Government and others.

2.3.6 Creation of remunerative assets without assessment of demand

Pallavaram Municipality

Creation of remunerative assets without assessment of demand resulted in shortfall of projected revenue collection of Rs 1.26 crore in eight municipalities.

Pallavaram Municipality, Kanchipuram District constructed (October 2000) a shopping-cum-office complex in Keelkattalai at a cost of Rs 71.27 lakh, by availing loan of Rs 30.50 lakh at 15 *per cent* interest from TUFIDCO and Rs 30.50 lakh at 11 *per cent* interest from TNUIFSL under Mega City Programme. The complex comprised a ground and a first floor. Though all the shops on ground floor, except one, were leased out, the first floor, built for leasing office space and a restaurant remained unoccupied (August 2005) in spite of 22 auctions notified in newspapers and through public notice boards.

Due to failure of the Municipality to properly assess the demand for office space and restaurant before taking up the construction, the projected revenue of Rs 20.30 lakh for the period from November 2000 to August 2005 (at Rs 30,000 per month for office space and Rs 5,000 per month for the restaurant) was not realised. Further, the proportionate expenditure for construction of first floor, Rs 33.50 lakh, was also infructuous.

Again, the Municipality constructed (May 2002) another office complex at a cost of Rs 17.25 lakh (comprising ground and first floors) within its premises at Chrompet by utilising the loan of Rs 17.50 lakh taken in April 1997 from TNUIFSL at 15.50 *per cent* interest for construction of an office complex at Hastinapuram. Instead of following open tender system for leasing it out, the Municipality informed (between July 2002 and March 2003) various Government offices functioning in the locality about the availability of office space. The Commercial Tax Department offered (March 2003) to pay a monthly rent of Rs 22,990 for the premises and the Municipality referred (April 2003) the matter to CMA. The RDMA, Chengalpattu fixed (November 2003) the rent as Rs 37,500 per month based on the norms of Public Works Department. As CMA declined (January 2004) to reduce the rent, the Municipality conducted three auctions between July and September 2005.

However, as there was no response to the auctions, the facility remains unutilised (August 2005).

Thus, failure of the Municipality to ascertain the demand of office space before starting its construction led to it having to bear an interest liability of Rs 2.71 lakh per annum. This liability was less than Rs 2.76 lakh that could have been earned per annum by renting to Commercial Tax Department. Incidentally, the Municipality had already paid Rs 15.90 lakh (September 2004) towards interest and Rs 1.32 lakh was pending payment as of September 2005.

Sattur Municipality

Sattur Municipality, Virudhunagar District constructed (October 2000) a shopping-cum-office complex[2] at Kamarajapuram by availing a loan (December 1995) of Rs 30.21 lakh at 14 *per cent* interest from Municipal Urban Development Fund (MUDF). Though the time frame for completion of the work was only six months, the work which commenced in October 1995 was completed belatedly in October 2000. The anticipated revenue from the complex was Rs 4.78 lakh per annum. Despite 13 public auctions conducted from December 2000 onwards, only 10 shops were leased out (August 2005) at rents (Rs 300 to Rs 375 per month) far lower than the projected rent (Rs 900 per month). Though one office room was let out to Department of Telecommunications from August 2001 to September 2003, the rent for this period (Rs 72,190) was yet to be realised (August 2005). The two godowns and the other office space etc., could not be let out (August 2005). The shortfall in the anticipated revenue from the complex during January 2001 to August 2005 was Rs 20.81 lakh.

Due to failure to assess the demand for such a facility before taking up construction, the Municipality had accumulated a liability of Rs 30.83 lakh towards interest on the loan availed, whereas the revenue realised was Rs 0.76 lakh only (August 2005).

Other municipalities

In eight shopping complexes constructed by six municipalities with Rs 3.66 crore of borrowed funds (interest paid up to March 2005: Rs 2.88 crore) at least 25 *per cent* of the shops were vacant as of March 2005. In aggregate, 126 out of 311 shops were not occupied due to lack of demand for period ranging from eight to 83 months resulting in loss of revenue of Rs 85.13 lakh (**Appendix XIX**).

2 Comprising 12 shops, two godowns and a cycle stand on the ground floor and six shops and two office rooms on the first floor.

2.3.7 Creation of assets in remote or inconvenient locations

Alandur Municipality

Remunerative assets created in remote or inconvenient locations resulted in non-realisation of projected revenue of Rs 1.03 crore by three municipalities.

Alandur Municipality, Kanchipuram District constructed 34 shops[3] at a cost of Rs 10.03 lakh and leased them out in November 2000 and February 2001. As 27 lessees did not pay the lease amount regularly, the Municipality cancelled their lease agreement (July 2003). Thereafter, the Municipality could lease out only nine out of the above 27 shops through four auctions conducted between August 2003 and October 2003. Based on monthly rent at which these shops were initially leased out (Rs 700 to Rs 1,050), the revenue not earned from the 18 vacant shops is Rs 3.38 lakh during the period August 2003 to August 2005. The Commissioner of the Municipality attributed the absence of demand for these shops to their remote location.

Erode Municipality

Erode Municipality, Erode District constructed (January 2000) a complex comprising (a) 19 open stalls and two auction platforms on the ground floor and (b) seven shops and one godown on the first floor at a cost of Rs 20.48 lakh at Hemmingway Market, Netaji Road by availing a loan of Rs 18.43 lakh at 16.5 *per cent* interest from TNUIFSL. The Municipality could lease out only one out of the seven shops from June 2000 to March 2001. Despite frequent auctions none of the stalls, shops and auction platforms has been leased out (August 2005). The Commissioner of the Municipality attributed (June 2005) this to the remote location of the complex.

Thus, due to inappropriate site for the complex, the Municipality could not earn the projected revenue of Rs 25.92 lakh during the period from January 2000 to August 2005. Further, the Municipality has paid Rs 20.92 lakh as interest to TNUIFSL from the General Fund so far and liability towards loan pending repayment was Rs 13.49 lakh (March 2005).

Ranipet Municipality

Ranipet Municipality, Vellore District constructed (July 2001) a complex for 60 lorry booking offices, a restaurant, a service station, an air and grease filling unit, 30 truck terminal bays and a toilet on the outskirts of Ranipet town. The Municipality met the expenditure of Rs 75.11 lakh through a loan from TUFIDCO (Rs 67 lakh at 15 *per cent* interest) and balance from its General Fund. Though parts of the complex was leased out between July 2001 and January 2002 for a period of three years, all but 12 lessees surrendered the facilities between March 2004 and January 2005 without paying their dues aggregating Rs 5.87 lakh towards lease rent. The truck terminal was not made

---

3

Phase I completed in September 2000	:	18 shops
Phase II completed in April 2001	:	16 shops
		34 shops

use of by the truck owners as it was located outside the town. Further action taken by the Municipality to lease out the facility were not fruitful. A proposal to dispose of the facility to repay the loan taken was approved by the Municipal Council (July 2005).

As the complex was located outside the town, the Municipality earned only Rs 12.14 lakh upto August 2005 as against the projected revenue of Rs 85.50 lakh resulting in shortfall in projected revenue to the extent of Rs 73.36 lakh. Besides, there was a liability of Rs 94.61 lakh towards loan (Rs 67 lakh) and interest (Rs 27.61 lakh) at the end of September 2005.

2.3.8 Asset without basic amenities

Due to non-provision of required amenities, a marriage hall was used only on two occasions in three years.

Kanchipuram Municipality, Kanchipuram District converted Arignar Anna Arangam[4] into a marriage hall after carrying out improvement works at a cost of Rs 29 lakh from out of Member of Parliament Local Area Development Fund (Rs 12 lakh) and District Decentralised Plan funds (Rs 17 lakh) during 1998-2001. However, the revenue realised from the hall was Rs 1.04 lakh, Rs 1.33 lakh and Rs 0.69 lakh during 2002-03, 2003-04 and 2004-05 respectively. The hall was booked for marriages on two occasions only during the period from February 2003 to April 2005. The Commissioner of the Municipality attributed the poor response to the dais not facing East and non-availability of required vessels, dining tables, chimney facility in kitchen, etc.

2.3.9 Shops not leased out

Loss of lease rent of Rs 40.88 lakh due to non-allotment of newly constructed shops to old lessees as agreed to.

To expand its bus stand, Tirupattur Municipality, Vellore District demolished 39 shops after vacating the lessees of its 22 shops situated within the bus stand complex and 17 shops on the adjacent Vaithiyar Chennamurthy Street (V.C. Street). To facilitate this vacation, the Municipality passed a resolution (October 1994) that the lessees would be allotted lease of new shops to be constructed within the expanded bus stand and the V.C. Street. Apprehending that the Municipality may not adhere to its October 1994 resolution, the lessees of the bus stand shops approached (June 1995) the High Court for allotment of new shops to them and obtained orders (June 2002) in their favour.

The Municipality constructed five shops on V.C. Street (April 1997) and 28 shops within the bus stand (February 2001). Despite its resolution of October 1994 passed prior to construction, it resorted to auctioning (April 1997) the five shops constructed on V.C. Street. Aggrieved, the old lessees of V.C. Street approached (April 1997) the District Munsif Court, Tirupattur and obtained stay order in June 2000 and final order in March 2003 in their favour.

As of December 2003, ten of the old lessees of shops in V.C. Street and 17 of the old lessees of bus stand shops were eligible for allotment and willing to occupy the new shops. Ultimately, as instructed by Secretary to Government,

[4] A hall specifically designed for conducting Government functions and cultural programmes on rental basis.

2-1—10a

Municipal Administration and Water Supply Department, during an inspection in March 2005 the Municipality decided (April 2005) to allot the shops to these 27 old lessees. Thus, the failure of the Municipality to allot the shops to the old lessees as agreed prior to construction, resulted in estimated loss of revenue of Rs 40.88 lakh calculated at rent of Rs 85 per day per shop as approved by Municipal Council in June 2003 from May 1997 to April 2005 for the five shops on V.C. Street and 22 shops from March 2001 to April 2005.

2.3.10 Lease rent not enhanced for shops occupied by legal heirs

In terms of the Tamil Nadu District Municipalities Rules issued under Tamil Nadu District Municipalities Act, 1920 relating to receipts and expenditure of Municipal Councils, lease of any municipal building or land would be valid for three years and further lease would be through public auction. Government in Municipal Administration and Water Supply Department instructed (December 2000) that if any lessee wants to retain the property beyond the lease period of three years, they may be allowed to do so subject to enhancement of the lease amount at least by 15 *per cent*. However, such renewal was not to be allowed in respect of properties held by the legal heirs or nominees of the original lessees, in which case, the property should be brought to public auction for leasing.

Non-collection of enhanced rent of Rs 29.48 lakh.

In the daily market owned by the Coonoor Municipality, out of 829 shops, lease period of 452 run by legal heirs or nominees of the original lessees had expired (March 2001). The Municipal Council had resolved (March 2001) to renew the lease of the above 452 shops in favour of the legal heirs or nominees after enhancing the rent by 20 *per cent* and further enhanced upto 100 *per cent* subsequently. However, CMA advised (January 2002) to allot the shops as per the orders in force. In the meantime, the rent in respect of other 377 shops was enhanced by 25 *per cent* in April 2001 and further enhanced by 20 *per cent* in April 2004. Though the matter was taken up with CMA and Government repeatedly by the Municipality for allotting the shops in favour of the legal heirs or nominees of the original lessees, Government is yet to approve the proposal (August 2005). This has resulted in non-collection of enhanced rent of Rs 29.48 lakh calculated at the rates applicable to other lessees.

2.3.11 Lease amount not collected

Uzhavar Sandhai

Lease rent for land allotted to Uzhavar Sandhai was not received by six municipalities.

Government in Agriculture Department ordered (November 1999) opening of 100 Uzhavar Sandhais (Farmers' market) in municipal and town panchayat areas. They were to be maintained by the marketing committees and a nominal lease amount was to be paid to the local bodies concerned. CMA issued (July 2000) instructions to collect 14 *per cent* of the market value of the land allotted to the Uzhavar Sandhais as annual lease rent based on the orders

issued (June 1998) by the Government in Revenue Department in respect of Government lands occupied for commercial purposes. However, the marketing committees did not pay the lease rent. The Commissioner of Agricultural Marketing and Agricultural Business stated (February 2005) that orders of Government in Agriculture Department fixing the nominal lease rent payable by the Uzhavar Sandhais were awaited.

In six municipalities[5] test checked, lease rent of Rs 5.09 crore (calculated at 14 *per cent* of the market value of the land allotted as annual lease rent for the period from the month of opening[6] to March 2005) was pending collection.

Tiruvannamalai Municipality

Tiruvannamalai Municipality, Tiruvannamalai District constructed an office building comprising ground and first floors at an estimated cost of Rs 26.70 lakh under Tamil Nadu Urban Development Project (TNUDP). As there was no response in the auctions conducted for leasing out the premises in May and June 1996, the Municipality leased (25 September 1996) it to Judicial Department at a monthly rent of Rs 24,400 with the approval of CMA. The Judicial Department has not paid the rent due up to May 2005 aggregating Rs 25.42 lakh. The Municipality took up (November 2004) the matter with the Registrar, High Court, Chennai. Meanwhile, the Municipality has paid interest of Rs 10.78 lakh (February 2005) on the loan of Rs 20 lakh obtained at 13.5 *per cent* interest from MUDF for the construction of the building.

2.3.12 Non-collection of dues from allottees

Instalments of Rs 16.68 lakh were pending collection in 57 plots.

Arcot Municipality, Vellore District developed 369 plots (35 HIG plots; 71 MIG plots and 263 LIG plots) and allotted 14 HIG plots on outright purchase and the rest on instalment basis between August and November 1993. Twenty five *per cent* of the cost of the plots was to be paid as initial payment and the balance in four, eight and sixteen half yearly instalments by the allottees of HIG, MIG and LIG plots respectively. However, as of July 2005 an amount of Rs 16.68 lakh (Principal: Rs 8.81 lakh; Interest: Rs 7.87 lakh) is pending collection from 57 allottees (Two HIG, five MIG and 50 LIG) and some dues date back to April 1994. As per conditions of allotment, non-payment of instalments on or before the prescribed date would entail recovery of the dues as per Revenue Recovery Act, cancellation of the allotment, forfeiture of the amounts already paid and/or eviction under the provisions of Tamil Nadu District Municipalities Act, 1920. However, none of the above conditions were invoked by the Municipality so far.

---

5 Coonoor, Kumbakonam, Mannargudi, Palani, Paramakudi and Tiruppur.

6 This varied between February to October 2000 in the six municipalities.

2.3.13 Bus stand fee not collected

Due to failure to obtain or renew recognition from Regional Transport Authorities, bus stand fee of Rs 23.85 lakh was foregone by four municipalities.

A bus stand fee at prescribed rates can be collected by the local bodies, provided their bus stand is recognised by the Regional Transport Authority (RTA) under the Tamil Nadu Motor Vehicle Rules, 1989. Bus stands are classified into four categories *viz.* A, B, C and D depending on the parking capacity of the buses and amenities available in the bus stand. The recognition obtained from the RTA is valid for a period of three years at a time and subject to further renewal for not more than three years. The bus stand fee leviable on buses in A, B, C and D classes of bus stands was Rs four, three, two and 1.50 per bus per day respectively which was enhanced to Rs 15, 12, eight and five with effect from 11 March 2002.

Due to delay in obtaining or renewing recognition and not being able to obtain or renew recognition due to inadequate amenities, four municipalities could not collect bus stand fee aggregating Rs 23.85 lakh as tabulated below:

(Rupees in lakh)

Sl.No.	Name of municipality	Category	Bus stand fee not collected	
			Period	Amount
1.	Arcot (Vellore District)	B	April 1997 to March 2002	10.96
2.	Krishnagiri (Krishnagiri District)	C	April 1999 to March 2005	6.79
3.	Palani (Dindigul District)	B	18 June 2001 to 20 June 2002	2.10
4.	Tiruppur (Coimbatore District)	A	1 July 2001 to 23 April 2003	4.00
	Total			**23.85**

2.3.14 Maintenance of Assets

The following assets were not in use due to lack of proper maintenance.

Sl.No.	Name of municipality	Nature of assets	Period of non-utilisation	Reason for non-utilisation
1.	Coonoor	Two travellers' bungalows	More than five years	Assets in dilapidated condition
2.	Panruti	Travellers' bungalow	More than ten years	Assets in dilapidated condition
3.	Tiruppattur	Travellers' bungalow	Last 20 years	Assets in dilapidated condition
4.	Ranipet	Two residential quarters	One from June 1995 and another from August 1995	Assets in dilapidated condition
5.	Krishnagiri	One vegetarian restaurant in Old Pettai bus stand	From 2000-01	Assets in dilapidated condition
6.	Kanchipuram	Nine staff quarters	Information not available	Repairs not carried out as the cost of repair is not commensurate with rent receivable

Raj Bhavan Library - 8 JUN 2006 Chennai-600 022

2.3.15 Register of Assets

It was noticed that the 1,033 remunerative assets[7] created by six municipalities[8] were not recorded in the Register of Assets. The Commissioners of municipalities concerned stated (May and June 2005) that the omitted assets would be recorded in the Register of Assets (**Appendix XX**).

2.3.16 Conclusions

7743

Assets had been created without assessing their demand in the respective areas and also without provision of basic amenities leading to loss of revenue. Effective follow-up action was not taken by municipalities to collect rental arrears due from the leased out assets. Failure to take prompt action by certain municipalities to obtain or renew the recognition of bus stands from RTAs led to non-payment of bus stand fees by transport corporations and private fleet operators. Due to lapses in periodical maintenance, assets and travellers bungalows were not being used in certain municipalities.

350.7232 U P05

2.3.17 Recommendations

- Selection of sites for creation of remunerative assets should be made after conducting a detailed demand survey.
- Prompt action should be taken to collect the lease amount and also to obtain renewal of recognition of bus stands from RTAs before the expiry of the current approval or renewal.
- All the remunerative assets created by municipalities should be recorded in a separate Register of Assets to have proper control over them.
- Periodical maintenance of assets had to be undertaken to prevent their dilapidation.
- Proper checks and balances to monitor creation, usage and maintenance of assets should be put in place to bring about better asset management.

The above points were referred to Government in December 2005; reply had not been received (January 2006).

---

[7] Shops and bunks (kiosks): 954; Hotels: 3; Lodge: 3; Toilets: 2; Godowns: 32; Cloak room: one and Other buildings: 38.

[8] Coonoor, Namakkal, Palani, Theni Allinagaram, Tiruppur and Tiruvannamalai.

CHAPTER III

AUDIT OF TRANSACTIONS

CHAPTER III

AUDIT OF TRANSACTIONS

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, Commissionerate of Municipal Administration, Corporations of Chennai, Coimbatore, Salem, Tiruchirappalli and Tirunelveli and selected municipalities brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

3.1 Losses detected in Audit

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

CORPORATION OF CHENNAI

3.1.1 Loss of revenue

Delay in letting out 136 shops belonging to Corporation of Chennai resulted in loss of revenue of Rs 21.01 lakh.

The Corporation of Chennai (CoC) completed the construction (May 1999) of a vegetable market near Razak Market, Saidapet comprising 115 shops at a cost of Rs 33.60 lakh. As certain nearby shop owners affected by construction of an adjoining subway (started in June 1998) were to be considered for allotment of shops in the complex, the Standing Committee of the Corporation postponed (March, June and July 2000) authorising an auction for allotment of the above shops. Though the subway was completed and opened for traffic in March 2001, the auction of the shops was not considered by the Committee.

CoC also completed construction (July 2001) of a fish market comprising 21 shops adjacent to the aforesaid vegetable market at a cost of Rs 6.08 lakh.

Though the Land and Estate Department of the Corporation (LED) initiated action in August 2001 to get a minimum rate for rent fixed before auctioning of the shops, the rent of Rs seven per sq. ft. per month was approved belatedly in November 2003. Meanwhile, protracted correspondence ensued (January 2000 and October 2003) between the Zonal Office and the LED regarding who should conduct the auction. Finally, four auctions were conducted between August 2004 and November 2004 by the LED and all the vegetable and fish shops were let out at rates varying between Rs seven and Rs 35 per sq.ft. per month.

The undue delay in auctioning the 136 shops led to loss of revenue of Rs 21.01 lakh[1] towards rent calculated at Rs seven per sq.ft. per month for the period from June 2001[2] to July 2004. The delays indicate inadequate planning, coordination and monitoring.

The matter was referred to Government in July 2005. In its reply the Government stated (August 2005) that the auctions were delayed because

(a) the model code of conduct was in force during the period December 2001 - February 2002 for Saidapet Assembly bye election and general elections to Lok Sabha during May 2004.

(b) the shops were earmarked for hawkers of that area and the Chairman of the Hawkers Committee had submitted a report to the High Court. The CoC had also filed an objection to the report of the Hawkers Committee and the case was pending in High Court.

The above reply is not tenable as (a) model code of conduct came into force six months after the first opportunity for auctioning arose (June 2001), (b) the Hawkers Committees Report was not an impediment because there was no stay against auction of shops by High Court and (c) auctions were, in any case, conducted between August 2004 and November 2004, even while the said case was pending before High Court.

TAMBARAM MUNICIPALITY

3.1.2 Short levy of taxes

Due to application of incorrect rate, the Tambaram Municipality short levied Property tax, Education tax and Library cess totalling Rs 11.46 lakh.

In terms of the Tamil Nadu District Municipalities Act, 1920, Tambaram Municipality levies Property tax at 10 *per cent* of the annual value of the buildings or lands to be taxed every half year i.e. 20 *per cent* per annum. The Madras Elementary Education Act, 1920 provides for the levy of Education tax as a surcharge on the Property tax at a uniform rate of five *per cent* of the annual value per annum and Tamil Nadu Public Libraries Act, 1948 read with Education Department Government Order May 1992 provides for levy of Library cess at ten paise per whole rupee of Property tax. Thus, Tambaram Municipality has to levy taxes at 13.5 *per cent*[3] on the annual

[1] 7,184 sq.ft (total area of vegetable shops) x Rs 7 per sq.ft. per month x 38 months (June 2001 to July 2004)
plus 756 sq.ft. (total area of fish shops) x Rs 7 per sq.ft. per month x 36 months (August 2001 to July 2004).

[2] Due to election to Legislative Assembly during May 2001, the months of April and May 2001 have not been considered.

[3] Property tax at 20 *per cent* per annum, Library Cess at 10 paise per Rupee of Property tax i.e. two *per cent* per annum, Education Tax: five *per cent* per annum. Total: 27 *per cent* per annum i.e. Half yearly = 13.5 *per cent*.

value of the property per half year. Further, in terms of Taxation and Finance Rules framed under the Tamil Nadu District Municipalities Act, assessments can be corrected for period not exceeding beyond the two half years immediately preceding the half year during which correction is proposed to be made.

Scrutiny in audit of 4,580 new cases assessed during 2000-05 and first half year of 2005-06 revealed that the Municipality levied and collected the above taxes at rates lower than 13.5 *per cent* as depicted below:

Year	No. of assessments	Rate levied (percentage)	Short assessment Rs	Amount irrecoverable Rs
2000-01	969	5.19 to 12.55	3,12,050	2,50,858
2001-02	148	11.95 to 12.61	41,177	31,927
2002-03	1,611	5.93 to 12.70	4,58,781	3,19,085
2003-04	557	12.65 to 13.17	1,64,607	97,859
2004-05	1,295	6.29 to 13.17	1,69,713	29,601
Total	**4,580**		**11,46,328**	**7,29,330**

Thus, the Municipality short levied taxes to the extent of Rs 11.46 lakh in respect of 4,580 assessments of which Rs 7.29 lakh had become irrecoverable (October 2005).

Government while accepting (February 2006) the short levy stated that demands were being revised and collection is in progress.

3.2 Unfruitful expenditure

CORPORATION OF CHENNAI

3.2 Unfruitful expenditure

Two community centres constructed at a cost of Rs 59.81 lakh were not utilised due to their inappropriate location.

Corporation of Chennai (CoC) constructed two community centres for utilisation by public on payment of daily rent. However, these community centres were not put to use by public, rendering the expenditure on their construction unfruitful, as brought out in the succeeding paragraphs.

(i) Construction of a community centre was completed at Gajapathi Lala Street at a cost of Rs 38.40 lakh in April 2000. Municipal Council of Chennai Corporation approved (May 2003) a rent of Rs 3,590 for 24 hours for the centre. However, it has not been utilised by public so far (July 2005). Superintending Engineer, Buildings Department, CoC stated (March 2005) that it could not be verified with reference to the records available as to whether the demand for community centre was assessed before construction.

On being pointed out, Government stated (August 2005) that (a) public have not been booking the centre because of a burial and cremation ground opposite to it, (b) there are no norms for selection of sites for community centres and (c) community centres are constructed to serve poor people and the income aspect is secondary.

The Government reply is not tenable because the centre did not serve its intended purpose and expenditure of Rs 38.40 lakh on its construction remained unfruitful.

(ii) The construction of a community centre was completed at Shaick Maistry Street, Royapuram at a cost of Rs 21.41 lakh in March 2000. The expenditure on its construction was met from the Capital Fund of the CoC (Rs 11.66 lakh) and from Member of Parliament Local Area Development Fund (Rs 9.75 lakh).

A rent of Rs 1,530 per day was fixed for the centre. However, it has never been utilised by the public (January 2005). The Revenue Office concerned of the Corporation stated (January 2005) that there was no demand from the public for the use of the centre obstensibly because a 40 year old public convenience was situated adjacent to it.

Government stated (August 2005) that all possible efforts would be taken by CoC to put the community centre to use.

3.3 Idle investments

CORPORATION OF CHENNAI

3.3.1 Building not put to use

Building for an Industrial Training Institute completed at a cost of Rs 1.06 crore in April 2001 has not been put to use due to delay in procurement of required equipment.

To start an Industrial Training Institute (ITI), the Corporation of Chennai (CoC) forwarded (March 1999) a proposal to the State Government for recommendation to Director General of Employment and Training (DGET), New Delhi for affiliation of the proposed ITI with National Council for Vocational Training (NCVT). Government granted permission (April 1999) for the opening of ITI with six trades subject to, among other things, provision of infrastructure facilities including tools and equipment as per norms prescribed by DGET.

The CoC completed construction (April 2001) of the building for the proposed ITI at a cost of Rs 1.06 crore. Though the Corporation placed supply orders for equipment costing Rs 25.61 lakh on five suppliers in November 2000, these were cancelled belatedly in September 2003 as most of the equipment supplied (December 2000 to May 2001) were found to be of poor quality.

Affiliation with NCVT has not been obtained, as required equipment had not been procured (August 2005).

Government stated (September 2005) that re-tender for the required equipment was floated in June 2005 and action for appointment of teaching staff had been initiated. This reply does not explain the delay of one year and nine months in floating the tender.

Thus, the building constructed at a cost of Rs 1.06 crore for conducting ITI courses has been lying vacant since April 2001 (September 2005).

ARAKKONAM MUNICIPALITY

3.3.2 Blocking up of borrowed funds

Borrowing of Rs 9.88 lakh at 10.75 *per cent* per annum and paying it to Railways for purchasing their land without confirming their acceptance of price resulted in blockade of the entire amount since 1991.

Arakkonam Municipality, Vellore District proposed (1984) to acquire 22.26 acres of land from Southern Railway for construction of a new bus stand and for execution of Sites and Services Scheme and paid Rs 4.44 lakh (March 1985) based on the rate then fixed by the District Collector. However, the Southern Railway handed over (September 1985) 4.02 acres of land only stating that (a) the rate then prevailing was Rs one lakh per acre, (b) relinquishment of the remaining 18.24 acres of land was subject to payment at the revised rate and (c) that the Municipality should bear the cost of raising and strengthening of the compound wall of their Engineering Workshop. In October 1985, the District Collector refixed the cost of land at Rs 10.62 lakh for 22.26 acres. Without checking with the Railways whether this rate was acceptable, the Municipality paid (June 1991) Rs 9.88 lakh (balance cost of land: Rs 6.18 lakh and escalation in cost: Rs 3.70 lakh) by taking a loan of this amount from Government at 10.75 *per cent* per annum. Meanwhile, the Municipality constructed a new bus stand at a cost of Rs 31 lakh on the land (4.02 acres) acquired and put it into use from March 1988.

The Southern Railway, however, revised (December 1999) their demand for the balance land cost as Rs 39.18 lakh. As the price could not be settled with the Railways and the entire land got encroached, the Municipality dropped (January 2004) the proposal of its purchase.

Thus, failure of the Municipality to check with the Railway the acceptance of land price before paying them Rs 9.88 lakh resulted in this amount remaining blocked. The Municipality did not raise the matter with the Government to help obtain refund of Rs 9.88 lakh along with interest. As of October 2005, the Municipality had not repaid the loan taken for this purpose (Rs 9.88 lakh) along with interest (Rs 15.20 lakh) and penal interest (Rs 3.47 lakh).

The matter was referred to Government in December 2005; reply had not been received (January 2006).

3.4 Others

CORPORATIONS OF CHENNAI AND SALEM AND MUNICIPALITY OF MANNARGUDI

3.4.1 Non-realisation of cost of land

Due to delay in ascertaining cost of land, raising of demands and lack of pursuance on the part of the urban local bodies, Rs 5.87 crore was pending realisation from various user departments and Government organisations towards cost of land transferred to them.

Six cases of non-realisation of the cost of land transferred by Corporation of Chennai (CoC), Corporation of Salem and Mannargudi Municipality to Tamil Nadu Electricity Board, Tamil Nadu Housing Board, Tamil Nadu Tourism Development Corporation, Education Department and Health Department are discussed in the succeeding paragraphs.

Corporation of Chennai

Lack of pursuance by CoC to obtain rate of land transferred by it to TNEB resulted in non-realisation of Rs 3.66 crore.

(i) The CoC permitted (March 2001) the Tamil Nadu Electricity Board (TNEB) to establish a sub-station on its land measuring 11,019 sq.ft. located at MRC Nagar, Chennai pending (a) issue of orders by Government and (b) payment of cost of land at a rate fixed by District Collector, Chennai.

As the above land was reserved as an 'Open Space' (OS)[4] in Master Plan, CoC requested (August 2001) the Government for change of classification and permission to transfer the land to TNEB. Permission of Government has not been received as of August 2005. Audit noted (December 2004) that (a) after August 2001 CoC had not issued any reminder to Government though TNEB had constructed the sub-station and commissioned it in February 2003 and (b) CoC had not raised demand of cost of land on TNEB though the District Collector had intimated its current rate as Rs 3,321 per sq.ft. in August 2004.

On being pointed out in Audit, CoC raised demand (March 2005) of Rs 3.66 crore on TNEB based on the aforesaid rate. The amount had not been paid by TNEB as of December 2005. Thus, delay on the part of the CoC in raising the demand resulted in non-realisation of cost of land amounting to Rs 3.66 crore.

Government stated (August 2005) that proposal of CoC to transfer the aforesaid land to TNEB is under consideration of Government.

Delay by CoC in ascertaining the cost of land transferred to TNEB resulted in non-realisation of Rs 68.29 lakh and loss of interest of Rs 1.62 crore.

(ii) The CoC permitted (December 1990) the TNEB to establish a sub-station on CoC's land having two noon meal sheds and compound wall located at V.O.C.[5] Nagar, Chennai pending (a) issue of orders by Government and (b) payment of cost of land. Accordingly, TNEB occupied (December 1990)

---

[4] Open Space means any land whether enclosed or not, belonging to the Government or any local authority on which there are no buildings or of which not more than one third part is covered with buildings and the whole or the remainder of which is used for the purpose of recreation, air or light.

[5] V.O.C. – V.O. Chithambaranar Nagar.

8.989 ground[6] of vacant land and later took over two noon meal sheds occupying 0.361 ground in February 1999. After more than five years, CoC raised (March 1996) demands of (a) Rs 1.76 crore on TNEB with reference to the market rate of the land as of April 1995 and (b) Rs 2.84 lakh as compensation for the two noon meal sheds and compound wall. In response, TNEB requested (May 1996) the CoC to communicate the rate fixed by Collector, Madras as of December 1990 i.e. when TNEB took over the land. Finally, after more than eight years, CoC ascertained (September 2004) the 1990 guideline rate of Rs seven lakh per ground from the Sub-Registrar (North Chennai).

The cost of the land at the above rate works out to Rs 65.45 lakh. No demand has, however, been raised by the CoC so far (August 2005).

Thus, the delay on the part of the CoC in ascertaining the guideline rate and raising of demand resulted in non-realisation of cost of land and compensation for appurtenant buildings amounting to Rs 68.29 lakh in addition to loss of interest of Rs 1.62 crore[7] at the rate of nine *per cent* per annum (compounded annually) from January 1991 to August 2005.

On the matter being pointed out, Government in the Municipal Administration and Water Supply Department stated (September 2005) that no demand could be raised by the CoC on TNEB as report on the correct value to be fixed for the land had not been received from the Collector. This reply is not tenable because CoC had not initiated any action to have the rate intimated by the Sub-Registrar ratified by the Collector, Chennai.

Delay by CoC in ascertaining the cost of land transferred by it to TNEB and raising demand for it resulted in non-realisation of Rs 22.71 lakh and loss of interest of Rs 17.67 lakh.

(iii) The CoC permitted (September 1998) the TNEB to use CoC's land measuring 6,206 sq.ft located at Sardarjung Garden Road, Chennai for establishing a sub-station pending (a) issue of orders by Government and (b) payment of cost of land. CoC's permission was silent about payment of interest on delayed payment. TNEB occupied the vacant land in November 1998.

TNEB agreed (December 1998) to pay the cost of the land as per the guideline value for the year 1997-98 as available at Sub-Registrar's Office. After more than two years, CoC reminded (September 2001) TNEB to pay the cost of the land as agreed in December 1998. TNEB replied (April 2002) that payment would be made on receipt of demand based on the guideline value prevalent at the time of allotment. After more than two years, CoC requested (September 2004) the Sub-Registrar, Triplicane to furnish the guideline value to fix the cost of the land. Sub-Registrar, Triplicane, Chennai is yet to furnish the guideline value of the land to CoC (June 2005). The CoC did not also pursue

6 'Ground' is a unit of area of land equal to 2,400 sq.ft.

7

	(Rs in lakh) Interest
Land = 62.923 x 9% (compounding) x 14 years and 8 months	= 159.96
Noon meal shed land = 2.527 x 9%(compounding) x 6 years and 6 months	= 1.90
	161.86
	or 1.62 crore

the matter with Government for issue of orders after February 1999 until August 2005. Meanwhile, in reply to an Audit enquiry, the Inspector General of Registration, Chennai intimated (November 2004) the guideline value of the land for the year 1997-98 as Rs 366 per sq.ft.

CoC replied (July 2005) to Audit that no Government Orders have been issued for transferring the land to TNEB and land transfer process will be initiated only on receipt of Government Orders.

Thus, the delay on the part of the CoC in ascertaining the guideline rate and raising of demand resulted in non-realisation of cost of land amounting to Rs 22.71 lakh besides loss of interest of Rs 17.67 lakh at the rate of nine *per cent* per annum (compounded annually) on the cost of land from November 1998 to June 2005.

Government stated (August 2005) that proposal of the CoC to transfer an extent of 6,206 sq.ft. of Corporation land in favour of TNEB for establishing 33/11 KV sub-station at Sardarjung Garden road is under the consideration of Government and further action to collect the cost of land from TNEB will be taken on receipt of report on value of land from the Collector, Chennai.

Due to lack of concerted efforts, the CoC has not recovered Rs 32.11 lakh and Rs 3.27 crore of interest from Tamil Nadu Housing Board.

(iv) Based on a Government Order (May 1977) the Commissioner, CoC handed over (June 1977) 73.73 acres of land in Arumbakkam village to Tamil Nadu Housing Board (TNHB) for implementing 'Sites and Services Programme' involving allotment of house sites to weaker sections of the society. The above Order mentioned that a formal order for the fixation of land price would be issued separately.

The District Collector belatedly intimated CoC (February 1978) that the market value of land was Rs 2,400 per ground[8] in 1976 to which nine *per cent* appreciation may be added per annum. The value of land at Rs 2,400 per ground worked out to Rs 32.11 lakh. Meanwhile, the TNHB valued the land at Rs 1,400 per ground for working out the cost to be recovered from the allottees. Based on this lower rate, the cost of 73.73 acres worked out to Rs 18.73 lakh at 1976 prices. Instead of paying this to CoC, TNHB paid this amount to the District Collector, Chennai in February 1986. Audit traced out (May 2005) that Collector, Chennai had remitted this amount into Government account in March 1986.

In June 1986, Government issued an order fixing the market value of land at Rs 2,400 per ground in 1976 with interest compounded at nine *per cent* per annum from the date of taking over of the land by TNHB. Despite this order, TNHB has not paid the difference in principal amount of Rs 13.38 lakh (June 2005). Even the amount of Rs 18.73 lakh paid by TNHB in February 1986 to the District Collector has not been remitted to CoC. Commissioner, CoC intimated (July 2005) that the District Collector, Chennai is being addressed for taking necessary action in transferring the amount to CoC.

Thus, due to lack of concerted efforts, CoC is yet to realise (a) Rs 18.73 lakh paid by TNHB to Collector of Madras in February 1986, (b) balance of Rs 13.38 lakh due towards cost of land and (c) Rs 3.27 crore of interest

---

8 One ground = 2,400 sq. feet and one acre = 18.15 grounds.

calculated at nine *per cent* (compounded annually) from July 1977 to June 2005 on the principal of Rs 32.11 lakh.

The matter was referred to Government in July 2005. Government stated (August 2005) that the Housing Board has been directed to remit the amount including interest at the earliest.

Corporation of Salem

Laxity in pursuing recovery of cost of land from Tamil Nadu Tourism Development Corporation resulted in non-realisation of Rs 42.34 lakh and interest of Rs 76.21 lakh.

At the request (November 1989) of the Tamil Nadu Tourism Development Corporation (TTDC) and Collector, Salem (December 1989), the Council of Salem Municipality[9] resolved (January 1990) to transfer 38,135 sq.ft. of land adjoining Ramakrishna Road free of cost for construction of a hotel with assistance from Government of India. The Municipality handed over (April 1990) the land and addressed the State Government for post-facto approval. The State Government in Municipal Administration and Water Supply (MAWS) Department granted (March 1992) permission for the transfer of land on the condition that TTDC pays the cost of land with reference to guideline value in seven annual instalments with a moratorium of two years with interest at 12 *per cent* per annum.

The Corporation of Salem did not take any action between March 1992 and December 1998 to intimate the land value to TTDC for effecting recovery. Belatedly in January 1999, Corporation of Salem raised demand on TTDC for Rs 72.84 lakh (land cost: Rs 42.34 lakh and interest: Rs 30.50 lakh). Government in Information and Tourism Department also directed (July 2000) the TTDC to pay the cost of land. After protracted correspondence the TTDC agreed (April 2005) to lease out the hotel and share the income realised on 50:50 basis with Corporation of Salem. TTDC did not indicate a time limit for leasing out the hotel. Incidentally, the operating results of the Hotel indicate that it incurred a loss in each of the years during 1997-2004.

On being pointed out in Audit (June 2005), the Corporation resolved (July 2005) to resume the land from TTDC against payment of the depreciated cost of hotel building to TTDC and sought orders of the Government in MAWS Department.

The failure of the Corporation of Salem to realise the cost of land of Rs 42.34 lakh for the past 15 years is attributable to (a) handing over of land to TTDC without awaiting orders from the Government in MAWS Department and (b) failure to inform the TTDC the guideline value of the land immediately after the MAWS Department instructed (March 1992) the Salem Municipality to collect the cost of land at guideline value. An interest of Rs 76.21 lakh at 12 *per cent* had accrued till March 2005 on Rs 42.34 lakh due since April 1990.

On the matter being referred to it, Government in MAWS Department stated (August 2005) that necessary action is being taken for resumption of Corporation's land.

9 Upgraded as a Corporation in June 1994.

Mannargudi Municipality

In terms of a Government Order (December 1995), Mannargudi Municipality, Tiruvarur District handed over (January 1996) 19.03 acres of land to the Joint Director of Health Services (14.03 acres) and Chief Educational Officer (five acres) of erstwhile Nagapattinam District on the condition that the cost of land would be paid on the basis of market value. The District Collector, Tiruvarur, fixed the value of land as Rs 3.09 crore (June 2001), deducted Rs 2.54 crore towards estimated cost of leveling the site and arrived at the amount payable as Rs 55.36 lakh. The Municipality requested (August 2004) the Special Commissioner and Commissioner for Land Reforms to pay the cost of land without deducting the leveling charges. The Municipality is yet to realise the apportioned cost of land (Rs 55.36 lakh); besides, decision to pass on to them full cost of land without deducting the leveling charges was awaited (May 2005).

The matter was referred to Government in December 2005; reply had not been received (January 2006).

KUMBAKONAM MUNICIPALITY

3.4.2 Unauthorised diversion from Elementary Education Fund

Kumbakonam municipality unauthorisedly diverted Rs 1.80 crore from Elementary Education Fund that was to be used for maintenance and development of schools.

Education tax is levied by local bodies at a uniform rate of five *per cent* per annum on the annual value of property as a surcharge under the Madras Elementary Education Act, 1920. In terms of Government Order (March 1999), the Education tax so collected has to be transferred to an Elementary Education Fund (EEF) of the local body concerned for utilisation towards maintenance and development of municipal school buildings.

Test check of records of Kumbakonam municipality revealed that substantial amounts were transferred from EEF to other accounts during 2000-05 as depicted below:

(Rupees in lakh)

Year	OB	Receipts				Expenditure					CB
		Education Tax	Interest earned on EEF	Re-transfer back from other accounts	Other receipts	Transfer to other accounts	Maintenance of schools	Construction of class rooms	Rent for hired school buildings	Other expenditure	
2000-01	21.11	43.67	0.60	20.05	..	44.17	5.19	14.49	..	0.04	21.54
2001-02	21.54	45.08	0.12	0.60	0.62	55.10	3.65	..	0.12	..	9.09
2002-03	9.09	46.61	0.16	..	..	31.43	2.10	..	0.03	5.00*	17.30
2003-04	17.30	45.09	0.87	2.33	25.00*	56.33	..	..	..	20.00*	14.26
2004-05	14.26	35.07	0.07	1.35	..	17.00	27.25	..	..	..	6.50
Total		**215.52**	**1.82**	**24.33**	**25.62**	**204.03**	**38.19**	**14.49**	**0.15**	**25.04**	

* Deposits made in 2002-04 realised in 2003-04.

The net amount transferred during 2000-05 from EEF Account to other accounts was Rs 179.70 lakh (Rs 204.03 lakh - Rs 24.33 lakh) and was applied for meeting expenditure towards salary and pension including family pension (Rs 112.40 lakh), Integrated Sanitary Programme (Rs 3.50 lakh), Provident Fund (Rs 12.25 lakh), Water Supply (Rs 36.70 lakh) and transfer to Capital Fund (Rs 14.85 lakh).

The Commissioner, Kumbakonam municipality replied (May 2005) that the aforesaid diversion was inevitable due to financial crunch.

Thus, Rs 1.80 crore stood diverted for other unauthorised purposes from the Elementary Education Fund meant for maintenance and development of municipal school buildings.

The matter was referred to Government in December 2005; reply had not been received (January 2006).

CORPORATIONS OF COIMBATORE, SALEM, TIRUCHIRAPPALLI AND TIRUNELVELI AND KUMBAKONAM MUNICIPALITY

3.4.3 Non-collection of track rent

Rupees 1.19 crore was pending collection from Bharat Sanchar Nigam Limited towards annual track rent on 406.945 km of optical fibre cable laid in the urban area of five local bodies.

The Revenue Department fixed (March 2000) an annual track rent at the rate of Rs 5,500 and Rs 6,300 per km of optic fibre cable (OFC) laid in the urban areas falling under the jurisdiction of municipalities and corporations[10] respectively.

Bharat Sanchar Nigam Limited (BSNL) became liable, since its creation out of Department of Telecommunication in October 2000, for paying the aforesaid rent. However, annual track rent of Rs 1.19 crore (**Appendix XXI**) till November 2005 was not collected by the following urban local bodies:

Sl. No.	Name of the local body	Length of OFC laid in kms.	Month from which track rent due	Track rent due (Rs in lakh)
Corporations				
1.	Coimbatore	86.606	January 2001	25.45
2.	Salem	83.806	October 2000	25.90
3.	Tiruchirappalli	149.954	October 2000	46.88
4.	Tirunelveli	29.291	June 2001	5.98
Municipality				
5.	Kumbakonam	57.288	October 2000	14.80
	Total	**406.945**		**119.01**

10 The rate for CoC is Rs 9,400 per km.

Corporations of Coimbatore, Tiruchirappalli and Tirunelveli raised demands in July 2005, May 2005 and December 2005 respectively at the instance of Audit. While Kumbakonam Municipality raised (March 2003) demand on its own, Corporation of Salem was yet to raise the demand (November 2005).

Government stated (June 2005) that (a) decision of Chief General Manager (CGM), BSNL, Tamil Nadu circle, Chennai to make the payment was awaited and (b) depending on the decision of the CGM, further action would be taken. The reply is not tenable as a Government Order had already been issued in September 2004 instructing BSNL to pay annual track rent to the local bodies.

In this context it is noted that Government Orders for levy of track rent do not provide for any punitive measures to deter non-payment or levy of interest for delay in payment.

CORPORATION OF COIMBATORE

3.4.4 Non-collection of tax on profession

The Corporation of Coimbatore failed to collect tax on professions amounting to Rs 14.03 lakh from the employees of the Commissioner of Central Excise, Coimbatore.

Section 3 of Tamil Nadu Tax on Professions, Trades, Callings and Employments (TPTCE) Act, 1992 empowered every local body to levy a tax on profession, trade, calling and employment within the maximum and minimum amounts specified. In respect of employees of Central and State Governments, the deduction of the half yearly tax and its remittance to the local authority was the responsibility of the Drawing and Disbursing Officers (DDO) concerned.

With the repeal of the TPTCE Act, 1992 the aforesaid tax continued to be levied under the Tamil Nadu Municipal Laws Act, 1998 at the rates prescribed under the new Act. Rule 5 of Tamil Nadu Town Panchayats, Municipalities and Municipal Corporations (Collection of Tax on Professions, Trades, Callings and Employments) Rules, 1999 provides that (i) all DDOs shall recover the half yearly tax on professions due from the pay of the employees in month of August and January and remit it to the municipality concerned along with a return in Form I, (ii) if any employer fails to file the return in Form I, the Commissioner shall prepare a return and furnish a copy of it to the employer along with a notice for payment of tax and (iii) levy of penalty at the rate of one rupee per mensem or part of a month for the tax amount of every Rs 100 or part thereof due. The Commissioner is also required to maintain a master register containing details relating to traders, professionals and employers within the municipal limit for the above purpose.

Scrutiny of records of Corporation of Coimbatore and Commissioner of Central Excise (CCE) located there revealed that the DDO in the Office of the CCE had not recovered the profession tax for remittance to the Corporation.

Only in May 2003 the Corporation wrote to the CCE to pay the profession tax. Though the CCE did not pay the tax (June 2005), the Corporation did not prepare a return and initiate action for levy of penalty.

Scrutiny of the Pay Bill Register of the CCE revealed that tax aggregating Rs 14.03 lakh was not recovered from 275 to 319 employees who had served for varying period in this office during October 1998 - March 2005. It was also noticed that the tax on profession in respect of this office had not been recovered since April 1992.

Government stated (September 2005) that the Corporation has initiated action to effect the recovery of the tax from 1992 onwards.

Chennai
The 15 MAY 2006

(SHANKAR NARAYAN)
Principal Accountant General (Civil Audit)
Tamil Nadu and Pondicherry

Countersigned

New Delhi
The

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

APPENDICES

Appendix I

(Reference: Paragraph 1.4.1; page 3)

Audit fee due from Corporations and Municipalities

(Rupees in lakh)

Pertaining to	Audit fees due from		
	Corporation of Chennai	Other five corporations	Municipalities
1993-1994 to 1995-1996	-	5.23	8.43
1996-1997	-	16.02	1.77
1997-1998	-	19.38	7.74
1998-1999	-	24.78	15.67
1999-2000	-	42.62	26.53
2000-2001	-	50.58	45.21
2001-2002	-	68.33	56.50
2002-2003	-	74.99	61.37
2003-2004	-	74.38	53.44
2004-2005	47.20	79.20	59.83
Total	**47.20**	**455.51**	**336.49**
Grand Total	**839.20 or 8.39 crore**		

Appendix II

(Reference: Paragraph 1.5.1; page 4)

Powers for issue of administrative and technical sanctions - Corporation of Chennai

Powers for issue of administrative sanctions

Financial Limit	Sanctioning authority
Upto Rs one lakh	Ward Committees
Rs one lakh to Rs 35 lakh	Commissioner
Rs 35 lakh to Rs 40 lakh	Standing Committees (SC) except SC (Taxation and Finance) (T&F)
Rs 40 lakh to Rs 45 lakh	Standing Committee (T&F)
Rs 45 lakh to Rs 50 lakh	Council
Above Rs 50 lakh	Government

Powers for issue of technical sanctions

Financial Limit	Sanctioning authority
Upto Rs two lakh	Assistant Executive Engineer
Rs two lakh to Rs five lakh	Executive Engineer
Rs five lakh to Rs 25 lakh	Superintending Engineer
Above Rs 25 lakh	Chief Engineer

Appendix III

(Reference: Paragraph 1.5.2; page 4)

Devolution of functions

(a) Functions devolved to ULBs

(i) Urban planning including town planning

(ii) Regulation of land use and construction of buildings

(iii) Roads and Bridges

(iv) Water supply for domestic, industrial and commercial purposes

(v) Public health, sanitation, conservancy and solid waste management

(vi) Slum improvement and upgradation

(vii) Urban poverty alleviation

(viii) Provision of urban amenities and facilities such as parks, gardens and playgrounds

(ix) Burials and burial grounds, cremation, cremation grounds and electric crematoriums

(x) Vital statistics including registration of births and deaths

(xi) Public amenities including street lighting, parking lots, bus stops and public conveniences

(xii) Regulation of slaughter houses and tanneries

(b) Functions yet to be devolved to ULBs

(i) Planning for economic and social development

(ii) Fire Services

(iii) Urban forestry, protection of the environment and promotion of ecological aspects

(iv) Safeguarding the interests of weaker sections of Society, including the handicapped and mentally retarded

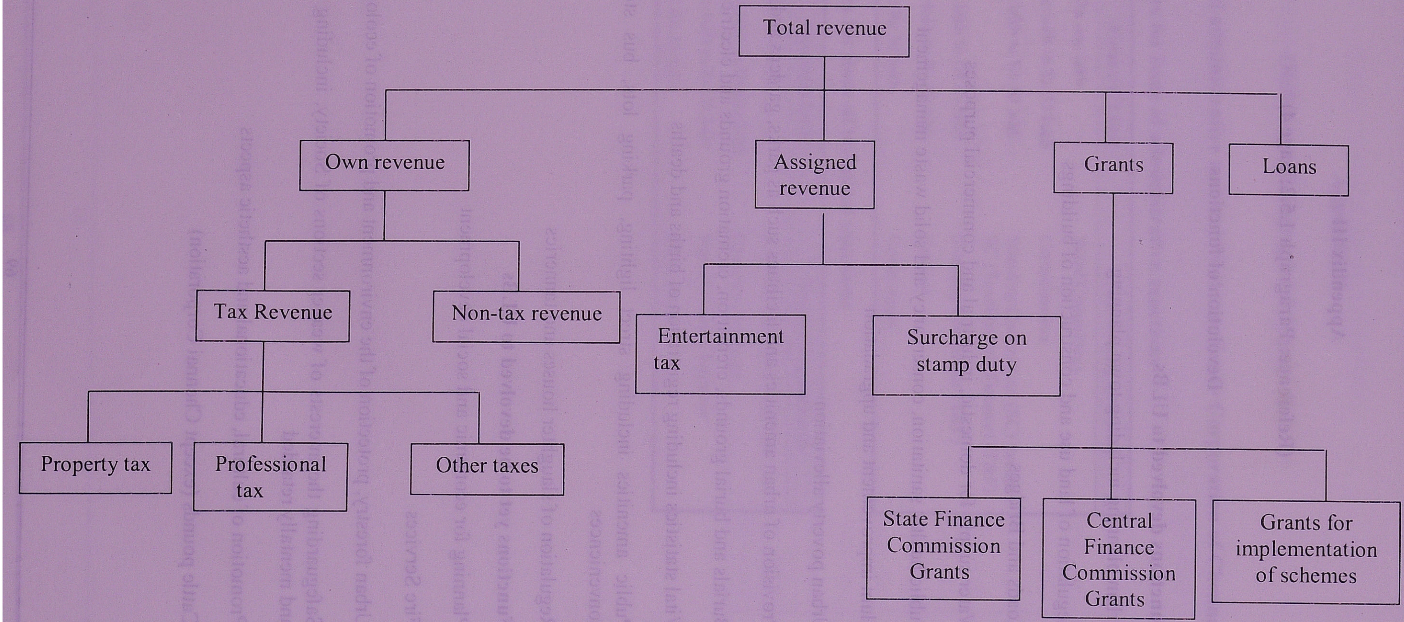
(v) Promotion of cultural, educational and aesthetic aspects

(vi) Cattle pounds (except Chennai Corporation)

Appendix IV

(Reference: Paragraph 1.6.1 ; page 4)

Source of revenue of urban local bodies



Appendix V

(Reference: Paragraph 1.7.3 (a); page 5)

Projection of Tax and Non-Tax Revenues for the period 2002-07 by Second State Finance Commission

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Property tax	444.01	589.23	610.09	629.42	648.49	2,921.24
Professional tax	63.96	70.86	78.50	86.98	96.38	396.68
Other taxes	1.37	1.44	1.51	1.59	1.67	7.58
Total Tax Revenue	509.34	661.53	690.10	717.99	746.54	3,325.50
Non-tax Revenue	258.30	289.33	324.24	363.69	408.33	1,643.89
Total Own Revenue	767.64	950.86	1,014.34	1,081.68	1,154.87	4,969.39

Note: The above table do not include the projections made in respect of the 49 Third Grade municipalities that were reclassified in June and July 2004.

Appendix VI

(Reference: Paragraph 1.7.3 (b); page 5)

Details of Projected Capital expenditure for 2002-07 for urban local bodies

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	Total
I Municipal Corporations						
Water Supply	22.48	22.48	21.43	21.43	21.42	109.24
Sewerage	53.88	53.88	NIL	NIL	NIL	107.76
Roads	61.34	61.34	58.47	58.46	58.46	298.07
Storm water drains	36.00	36.00	34.31	34.31	34.32	174.94
Street lighting	4.18	4.18	4.18	4.17	4.18	20.88
Solid waste management	13.82	13.82	13.82	13.82	13.83	69.11
Remunerative enterprises(maximum)	19.50	19.50	19.50	19.50	19.50	97.50
Optional and discretionary services (maximum)	9.75	9.75	9.75	9.75	9.75	48.75
Investment in fixed deposits	9.75	9.75	9.75	9.75	9.75	48.75
Total	**230.70**	**230.70**	**171.20**	**171.20**	**171.20**	**975.00**
II Municipalities (excluding the 49 Third Grade municipalities)						
Water Supply	42.00	42.00	42.00	42.00	42.00	210.00
Sewerage	11.20	11.20	11.20	11.20	11.20	56.00
Roads	30.00	30.00	30.00	30.00	30.00	150.00
Storm water drains	14.40	14.40	14.40	14.40	14.40	72.00
Street lighting	7.80	7.80	7.80	7.80	7.80	39.00
Solid waste management	5.20	5.20	5.20	5.20	5.20	26.00
Remunerative enterprises(maximum)	6.46	6.46	6.46	6.46	6.46	32.30
Optional and discretionary services (maximum)	6.46	6.46	6.46	6.46	6.46	32.30
Investment in fixed deposits	6.48	6.48	6.48	6.48	6.48	32.40
Total	**130.00**	**130.00**	**130.00**	**130.00**	**130.00**	**650.00**
Grand Total	**360.70**	**360.70**	**301.20**	**301.20**	**301.20**	**1,625.00**

Appendix VII

(Reference: Paragraph 1.7.3 (c); page 5)

Details of Projected Operation and Maintenance expenditure for 2002-07 for urban local bodies

(Rupees in crore)

Year	Corporations	Municipalities*	Total
2002-03	286.43	221.51	507.94
2003-04	312.34	249.63	561.97
2004-05	340.15	279.37	619.52
2005-06	367.45	314.26	681.71
2006-07	393.63	348.48	742.11
Total	**1,700.00**	**1,413.25**	**3,113.25**

(Operation and Maintenance expenditure on General Administration, Public Works and Roads, Sanitation and Drainage, Street lighting, Public Health and Conservancy, Town Planning, Education, Water supply, Miscellaneous items and Additional O & M expenditure for new investment).

* Excluding the 49 Third Grade municipalities.

Appendix VIII

(Reference: Paragraph 1.12.2; page 14)

Arrears in completion of audit in respect of urban local bodies as of July 2005

Year	MUNICIPALITIES			CORPORATIONS		
	No. of Municipalities which have compiled the accounts	No. yet to be Certified and audited by DLFA	Reasons for arrears	No. of Corporations which have compiled the accounts	No. yet to be Certified and audited by DLFA	Reasons for arrears
2001-02	102	3	Audit was in progress in two municipalities.	6	2	Annual Accounts of Coimbatore and Madurai Corporations were returned for rectification.
2002-03	102	55	Accounts submitted by 97 municipalities; audit was in progress in 33 municipalities.	6	6	Annual Accounts of five corporations (Salem, Chennai, Tiruchirappalli, Madurai and Tirunelveli) were returned for rectification. Accounts of Coimbatore Corporation is yet to be received.
2003-04	102	101	Accounts submitted by 39 municipalities; audit of 12 municipalities was in progress.	6	6	Accounts of Corporation of Chennai was returned by DLFA for rectification. Accounts for the remaining corporations had not been received.
2004-05	151	151	Accounts submitted by 10 municipalities	6	6	Accounts of all corporations not submitted.

Appendix IX

(Reference: Paragraph 1.12.3 ; page 15)

Year wise details of paragraphs pending settlement as of March 2005

Year of Audit Report	Number of Paragraphs pending in respect of								Total Number of paragraphs pending
	Municipalities	Corporations							
		Chennai	Coimbatore	Salem	Tiruchirappalli	Tirunelveli	Madurai	Total	
Upto 1997-1998	66,779	32,488	7,605	3,660	5,692	471	15,064	64,980	1,31,759
1998-1999	6,712	1,491	630	802	197	215	1,554	4,889	11,601
1999-2000	6,527	1,457	510	587	129	188	1,693	4,564	11,091
2000-2001	10,680	1,340	519	506	189	377	1,361	4,292	14,972
2001-2002	15,368	1,035	16	478	448	351	44	2,372	17,740
2002-2003	3,954	1,334	0	1,112	531	0	94	3,071	7,025
2003-2004	0	0	0	0	0	0	92	92	92
Total	1,10,020	39,145	9,280	7,145	7,186	1,602	19,902	84,260	1,94,280

Appendix X

(Reference: Paragraph 1.13.1 ; page 15)

Details of Committee on Public Accounts recommendations pending for want of Action Taken Notes

Year of Audit Report to which it relates	Number of recommendations pending settlement in MAWS Department
1985-1986	11
1986-1987	2
1987-1988	5
1990-1991	5
1992-1993	83
1993-1994	10
1994-1995	4
1995-1996	7
1996-1997	6
Total	**133**

Appendix XI

(Reference: Paragraph 1.13.2 ; page 15)

Inspection Reports/Paragraphs on Corporations and Municipalities issued up to September 2004 and pending settlement as of March 2005

Year	Number of Inspection Reports	Number of Paragraphs
1997-1998	1	5
1998-1999	Nil	Nil
1999-2000	7	45
2000-2001	7	31
2001-2002	3	12
2002-2003	24	203
2003-2004	27	416
2004-2005	14	254
Total	**83**	**966**

Appendix XII

(Reference: Paragraph 1.13.2 ; page 15)

Municipalities from whom even first reply was not received for Inspection Reports

Sl.No.	Municipality	Number of paragraphs in the Inspection Report	Inspection Report issued in
1.	Kanchipuram	27	April 2003
2.	Villupuram	31	May 2003
3.	Panruti	17	January 2004
4.	Madurantakam	20	March 2004
5.	Sirkali	16	April 2004
6.	Tiruvarur	30	April 2004
7.	Gudiyattam	14	May 2004
8.	Attur	17	May 2004
9.	Walajapet	10	May 2004
10.	Madhavaram	12	May 2004
11.	Arcot	24	May 2004
12.	Ranipet	26	June 2004
13.	Aranthangi	18	June 2004
14.	Kulithalai	11	June 2004
	Grade III Municipalities		
15.	Valsaravakkam	12	January 2004
16.	Anakaputhur	13	February 2004
17.	Ullagaram – Puzhuthivakkam	4	February 2004
18.	Maraimalai Nagar	8	May 2004
	Total	**310**	

Appendix XIII

(Reference: paragraph 2.1.5; page 19)

Statement showing implementation of functions in test checked municipalities

Sl. No.	Municipalities	Number of functions implemented
1.	Bhavani	11
2.	Alandur	8
3.	Walajapet	8
4.	Ambattur	7
5.	Arani	7
6.	Chingleput	7
7.	Avadi	7
8.	Erode	6
9.	Gopichettipalayam	6
10.	Mannargudi	6
11.	Sirkali	6
12.	Vandavasi	6
13.	Tindivanam	5
14.	Tambaram	5
15.	Madhavaram	4
16.	Tiruvallur	4
17.	Pallavaram	4
18.	Arcot	3
19.	Mayiladuthurai	2
20.	Vellore	1

Four functions *viz.*, Hospital Records Maintenance, Census Records, Electoral Rolls. Mother and Child Welfare were not implemented in any of the municipalities.

Appendix XIV

(Reference: paragraph 2.1.22; page 26)

Statement indicating total number of 'owner occupied residences' as against 'rented residential properties' in respect of properties assessed through the Oracle system

Sl. No.	Municipality	Owner occupied Residential property	Rented Residential property	Percentage of Owner occupied Residential property to total number of Residential properties
1.	Alandur	3,885	6	0.15
2.	Ambattur	9,849	11	0.11
3.	Arcot	406	1	0.25
4.	Avadi	3,338	5	0.15
5.	Chengalpattu	513	8	1.54
6.	Erode	2,929	46	1.55
7.	Gopichettipalayam	1,214	3	0.25
8.	Madhavaram	1,518	25	1.62
9.	Tambaram	100	2	1.96
10.	Vandavasi	370	2	0.54
11.	Pallavaram	4,803	0	0.00

Appendix XV

(Reference: paragraph 2.2.3; page 31)

List of municipalities test checked

Sl.No.	Name of the municipality	District
1.	Ambattur	Tiruvallur
2.	Avadi	Tiruvallur
3.	Chidambaram	Cuddalore
4.	Dharmapuri	Dharmapuri
5.	Dindigul	Dindigul
6.	Erode	Erode
7.	Kulithalai	Karur
8.	Madurantakam	Kanchipuram
9.	Manapparai	Tiruchirappalli
10.	Mettur	Salem
11.	Namakkal	Namakkal
12.	Pallavaram	Kanchipuram
13.	Pudukkottai	Pudukkottai
14.	Ranipet	Vellore
15.	Rasipuram	Namakkal
16.	Sirkali	Nagapattinam
17.	Tiruchengode	Namakkal
18.	Tirumangalam	Madurai
19.	Tindivanam	Villupuram
20.	Tiruvarur	Tiruvarur
21.	Vandavasi	Tiruvannamalai
22.	Virudhunagar	Virudhunagar

Appendix XVI

(Reference: paragraph 2.2.4; page 31)

Details of Second State Finance Commission grant released to municipalities test checked and expenditure incurred

(Rupees in lakh)

Sl. No.		SSF released for 2003-04	
		Allotment	Expenditure
(a)	**Municipalities**		
1.	Madurantakam	7.00	0.24
2.	Chidambaram	7.00	..
3.	Vandavasi	7.00	4.00
4.	Tindivanam	7.00	..
5.	Mettur	7.00	6.05
6.	Rasipuram	7.00	3.78
7.	Tiruchengode	7.00	10.95
8.	Kulithalai	7.00	1.00
9.	Sirkali	7.00	7.18
10.	Tirumangalam	7.00	7.50
11.	Tiruvarur	7.00	3.43
12.	Manapparai	7.00	..
13.	Virudhunagar	7.00	7.00
(b)	**Corporations**		
1.	Chennai	68.10	..
2.	Madurai	68.10	..
3.	Salem	68.10	..
	Total	**295.30**	**51.13***

* Rs 4.63 lakh spent from own funds of the municipalities and net expenditure from the grant was Rs 46.50 lakh.

Appendix XVII

(Reference: paragraph 2.2.7; page 33)

(a) Land not available for compost yard

Sl.No.	Name of the Municipality	Total population as per 2001 census	Land required (in acres)
1.	Kathivakkam	32,556	3.26
2.	Tiruttani	38,314	3.83
3.	Kumarapalayam	65,640	6.56
4.	Dharmapuri*	64,444	6.44
5.	Thiruthangal	49,190	4.92
	Total		**25.01**

(b) Shortfall in availability of land for compost yard

Sl.No.	Name of the Municipality	Total population as per 2001 census	Land (in acres)			Percentage of shortfall
			Required	Available	Shortfall	
1.	Kolachal	23,535	2.35	0.02	2.33	99
2.	Devakottai	40,497	4.05	0.81	3.24	80
3.	Tiruvethipuram	35,172	3.52	1.00	2.52	72
4.	Arani	60,888	6.09	1.82	4.27	70
5.	Poonamallee	42,604	4.26	1.33	2.93	69
6.	Kovilpatti	87,458	8.75	2.81	5.94	68
7.	Gopichettipalayam	55,150	5.52	1.87	3.65	66
8.	Vaniyambadi	85,459	8.55	3.45	5.10	60
9.	Kumbakonam	1,40,021	14.00	5.65	8.35	60
10.	Ambasamudram	48,309	4.83	2.00	2.83	59
11.	Avadi*	2,30,913	23.09	10.00	13.09	57
12.	Tindivanam*	67,826	6.78	2.98	3.80	56
13.	Panruti	55,400	5.54	2.50	3.04	55
14.	Nellikuppam	44,191	4.42	2.00	2.42	55
15.	Vellore	1,77,413	17.74	7.91	9.83	55
16.	Arakkonam	77,453	7.75	3.50	4.25	55
17.	Madhavaram	76,793	7.68	3.66	4.02	52
18.	Usilampatti	29,599	2.96	1.54	1.42	48
19.	Rajapalayam	1,21,982	12.20	6.37	5.83	48
20.	Tiruvottiyur	2,11,768	21.18	12.00	9.18	43
21.	Ambattur	3,02,492	30.25	17.60	12.65	42

Sl.No.	Name of the Municipality	Total population as per 2001 census	Land (in acres)			Percentage of shortfall
			Required	Available	Shortfall	
22.	Mannargudi	61,478	6.15	3.56	2.59	42
23.	Dindigul	1,96,619	19.66	12.23	7.43	38
24.	Cuddalore	1,58,569	15.86	10.66	5.20	33
25.	Idappadi	48,804	4.88	3.30	1.58	32
26.	Nagercoil	2,08,149	20.81	15.52	5.29	25
27.	Rasipuram	46,370	4.64	3.52	1.12	24
28.	Aruppukkottai	83,999	8.40	6.72	1.68	20
29.	Krishnagiri	65,024	6.50	5.26	1.24	19
30.	Tiruvannamalai	1,30,301	13.03	11.00	2.03	16
31.	Mayiladuthurai	84,290	8.43	7.16	1.27	15
32.	Villupuram	95,439	9.54	8.31	1.23	13
33.	Udhagamandalam	93,921	9.39	8.15	1.24	13
34.	Vridhachalam	59,306	5.93	5.31	0.62	10
35.	Hosur	84,314	8.43	7.90	0.53	6
36.	Melur	33,743	3.37	3.32	0.05	1
	Total		**346.53**	**202.74**	**143.79**	**41.49**

* Municipalities covered under test check.

Appendix XVIII

(Reference: paragraph 2.3.4; page 43)

List of selected municipalities

Sl.No.	Name of the Municipality	District
1.	Alandur	Kanchipuram
2.	Ambattur	Tiruvallur
3.	Arakkonam	Vellore
4.	Arcot	Vellore
5.	Coonoor	The Nilgiris
6.	Erode	Erode
7.	Kanchipuram	Kanchipuram
8.	Krishnagiri	Krishnagiri
9.	Kumbakonam	Thanjavur
10.	Mannargudi	Tiruvarur
11.	Mayiladuthurai	Nagapattinam
12.	Namakkal	Namakkal
13.	Palani	Dindigul
14.	Pallavaram	Kanchipuram
15.	Panruti	Cuddalore
16.	Paramakudi	Ramanathapuram
17.	Ranipet	Vellore
18.	Sattur	Virudhunagar
19.	Theni-Allinagaram	Theni
20.	Tirupattur	Vellore
21.	Tiruppur	Coimbatore
22.	Tiruvannamalai	Tiruvannamalai
23.	Walajapet	Vellore

Appendix XIX

(Reference: paragraph 2.3.6; page 45)

Loss of Revenue

Sl. No.	Name of the municipality and location of shopping complex	Loan availed (Rs in lakh)	Interest paid till March 2005 (Rs in lakh)	No. of shops constructed	No. of shops vacant as of March 2005	Vacancy range (months)	Vacancy in shop months till March 2005	Lowest monthly rent of allotted shop (Rs)	Loss of revenue on vacant shops	
									Total (Rs)	Grand Total (Rs in lakh)
1.	**Ambattur**									
	Padi shopping complex	28.47	12.28	16	4	56	224	925	2,07,200	2.07
2.	**Erode**									
	(i) VCTV Road shopping complex	20.00	18.66	16	1	24	24	12,100	2,90,400	4.69
					1	48	48	1,850	88,800	
					2	60	120	750	90,000	
	(ii) Kamarajar Road shopping complex	26.00	19.57	36	2	37, 45	82	650	53,300	6.81
					5	8 to 36	111	750	83,250	
					1	24	24	3,286	78,864	
					1	24	24	2,910	69,840	
					1	24	24	4,140	99,360	
					1	42	42	1,600	67,200	
					1	24	24	1,783	42,792	
					1	24	24	1,725	41,400	
					1	33	33	1,650	54,450	
					1	33	33	1,350	44,550	
					1	24	24	1,898	44,552	
3.	**Kanchipuram**									
	MUDF shops	42.28	48.37	34	1	71	71	670	47,570	7.98
					1	71	71	665	47,215	
					16	71 to 72	1,152	610	7,02,720	
4.	**Kumbakonam**									
	(i) Anna Bus stand MUDF shops	73.00	41.17	71	18	21 to 83	1,328	1,500	19,92,000	19.92
	(ii) Sambasiva-puram (old) Bus stand shops	25.00	16.64	29	10	75	750	210	1,57,500	1.57
5.	**Tiruppur**									
	New Bus stand shops	130.75	97.35	69	4	42	168	1,900	3,19,200	39.82
					37	60	2,220	1,650	36,63,000	
6.	**Walajapet**									
	Municipal Office eastern side shops	20.00	34.41	40	15	64	960	236	2,26,560	2.27
	Total	**365.50**	**288.45**	**311**	**126**	**8 to 83**				**85.13**

Appendix XX

(Reference: paragraph 2.3.15; page 51)

List of assets not recorded in the Assets Register

Sl.No.	Name of the Municipality	Name of the asset	Number of assets	Year of construction
1.	Coonoor	Bus stand super Market Shops	10	1971
		IUDP-Bus Stand shops	7	1983
		Mount Road shops	14	1953
		Mount Road-Ground Floor shops	3	1949
		Mount Road-First Floor shops	2	1949
		New Jawaharpet shops	16	1949
		10 stall Building	33	1954
		TDK Road shops	6	1975
		KMK Street shops	3	1955
		VP Street shops	9	1979
		Old lorry stand VP street shops	5	1993
		Subramaniam Koil street shops	18	1979
		SIMS Park shops	1	1970
		Cross Bazaar shops	3	1959
		Bunks	25	*
		Bus Stand Lodge	1	1953
		Bus Stand IUDP Building Lodge	1	1983
		Co-operative Stores-Bus Stand Super Market	1	1971
		Co-operative Stores-Jawaharpet shop	1	1949
2	Namakkal	Daily Market shops	12	*
		Iron Bunks	5	*
		Daily Market Project work shops	10	*
		Bus stand outside RCC shops	8	*
		Bus stand old RCC shops	7	*
		Mettu street RCC shops	6	*
		Bus stand Hotels	2	*
		Bus stand RCC shops	51	*
		Time-Keeper room	3	*
		Kamali kulakkarai AC sheet building northern side	1	*
		Bus stand Fruit stall	20	*
		Clock Tower-Vegetable shops	4	*

Sl.No.	Name of the Municipality	Name of the asset	Number of assets	Year of construction
		Town Bus stand RCC shops	21	*
		Bus stand upstairs shops	20	*
		RCC shops opposite to maternity centre	2	*
		Newly constructed RCC shops at M.Muthusamy Municipal Council	5	*
		New RCC shops near Maternity center at kottai main road	5	*
3	Palani	Rajaji road shops	4	*
		Gandhi road shops	8	*
		Nethaji road shops	3	*
		Petty shops	27	*
		Burma bunks	6	*
		Dindigul road: Ground floor shops	30	*
		First floor shops	21	
4	Theni Allinagaram	**Shops below Bus stand lodge**		
		Western side shops	9	*
		Eastern side shops	4	*
		Eastern side line shops	24	*
		Municipal bus stand lodge	1	*
		Bus stand Vegetarian hotel	1	*
		Bus stand cloak room	1	*
		Bus stand southern side shops	9	*
		West sandy		
		Northside shops	11	*
		Southside shops	11	*
		New godowns (East)	9	*
		New godowns (west)	10	*
		Range stalls	80	*
		Bamboo shops	10	*
		Tomato shops	36	*
		MUDF shops	12	*
		Vegetable shops	36	*
		Northernside shops	36	*
		East sandy		
		Godowns	10	*

Sl.No.	Name of the Municipality	Name of the asset	Number of assets	Year of construction
		Entrance shops	2	*
		Godowns	3	*
		Stalls	32	*
		Petty shops	23	*
		Bus stand upstairs shops	19	*
5	Tiruppur	Eswarankoil street 'B' Block shops	9	*
		Kamaraj salai		
		'A' Block shops	10	*
		'B' Block shops	11	*
		'C' Block shops	11	*
		'E' Block shops	9	*
		Demand street shops	2	*
		Gandhi memorial building shops	4	*
		Anna memorial building shops	4	*
		Court road bunk stall	1	*
		Pay and use toilet near S.V.colony	1	*
		Pay and use toilet near Eswaramurthy park	1	*
		Mangalam road cattleshed shops	23	*
6	Tiruvanna-malai	Polur road market shops	9	*
		Thandarampattu road shops	9	*
		Burma bunks	19	*
		Vandimedu maligai shops	11	*
		Polur road daily market inside shops	5	*
		New vaniyangula street outside shops	4	*
		Jothi market new shops	27	*
		Thandarampattu road shops (MUDF)	8	*
		Polur road new vaniyakula street inside shops	9	*
		Kanagarayar street shops	3	*
		Keelnathur road ground floor shops	4	*
		Muthu vinayagar koil street new ground floor shops	10	*
		Total	**1,033**	

* Not available

Appendix XXI

(Reference: paragraph 3.4.3; page 63)

Track rent not collected

Sl. No.	Length of OFC laid	Track rent			
		Month from which due	Period for which due upto November 2005		Amount (at Rs 6,300 per km per year) (Rs)
			Year(s)	Month(s)	
Coimbatore Corporation					
1.	78.361	January 2001	4	11	24,27,231.98
2.	1.425	April 2002	3	8	32,917.50
3.	0.420	January 2003	2	11	7,717.50
4.	6.400	January 2004	1	11	77,280.00
Sub Total	**86.606**				**25,45,146.98**
Salem Corporation					
5.	58.489	October 2000	5	2	19,03,816.95
6.	0.500	December 2000	5	..	15,750.00
7.	0.730	January 2001	4	11	22,611.75
8.	1.228	February 2001	4	10	37,392.60
9.	5.446	March 2001	4	9	1,62,971.55
10.	1.632	April 2001	4	8	47,980.80
11.	1.441	May 2001	4	7	41,608.88
12.	3.121	June 2001	4	6	88,480.35
13.	0.305	August 2001	4	4	8,326.50
14.	0.415	September 2001	4	3	11,111.63
15.	2.150	October 2001	4	2	56,437.50
16.	0.826	November 2001	4	1	21,248.85
17.	0.840	December 2001	4		21,168.00
18.	4.274	April 2002	3	8	98,729.40
19.	1.524	May 2002	3	7	34,404.30
20.	0.110	June 2002	3	6	2,425.50
21.	0.295	July 2002	3	5	6,349.88
22.	0.480	October 2002	3	2	9,576.00
Sub Total	**83.806**				**25,90,390.44**
Tiruchirappalli Corporation					
23.	106.479	October 2000	5	2	34,65,891.45
24.	18.090	November 2000	5	1	5,79,332.25
25.	2.990	December 2000	5	-	94,185.00
26.	5.495	November 2001	4	1	1,41,358.88
27.	1.296	December 2001	4	-	32,659.20
28.	15.400	February 2002	3	10	3,71,910.00
29.	0.204	August 2003	2	4	2,998.80
Sub Total	**149.954**				**46,88,335.58**

Sl. No.	Length of OFC laid	Track rent			
		Month from which due	Period for which due upto November 2005		Amount (at Rs 6,300 per km per year) (Rs)
			Year(s)	Month(s)	
Tirunelveli Corporation					
30.	3.231	June 2001	4	6	91,598.85
31.	5.131	July 2002	3	5	1,10,444.78
32.	20.929	December 2002	3	..	3,95,558.10
Sub Total	**29.291**				**5,97,601.73**
Kumbakonam Municipality					
33.	44.295	October 2000	5	2	12,58,719.00
34.	1.330	November 2000	5	1	37,185.00
35.	0.871	July 2002	3	5	16,369.00
36.	10.792	February 2003	2	10	1,68,175.00
Sub Total	**57.288**				**14,80,448.00**
Grant Total	**406.945**				**1,19,01,922.73 or Rs 1.19 crore**

©

COMPTROLLER AND AUDITOR GENERAL OF INDIA

2006

N.T.P. Supplied by the Office of the Principal Accountant General (Civil Audit)
Printed at Government Central Press, Chennai-600 079